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100th Congress, 1st Session

H. Rept. No. 100-433 S. Rept. No. 100-216

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 2
Depositions

Lee H. Hamilton, *Chairman,*
House Select Committee
Daniel K. Inouye, *Chairman,*
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

November 13, 1987.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.
November 17, 1987.—Ordered to be printed.

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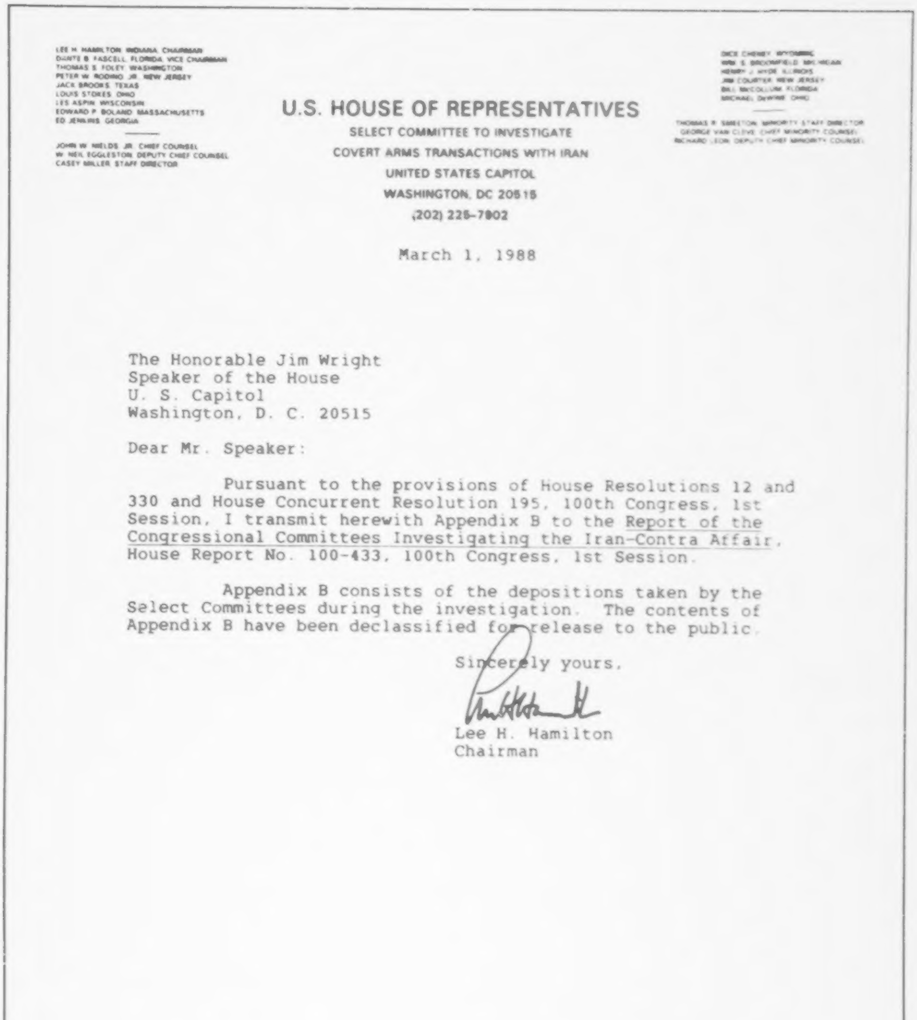

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March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

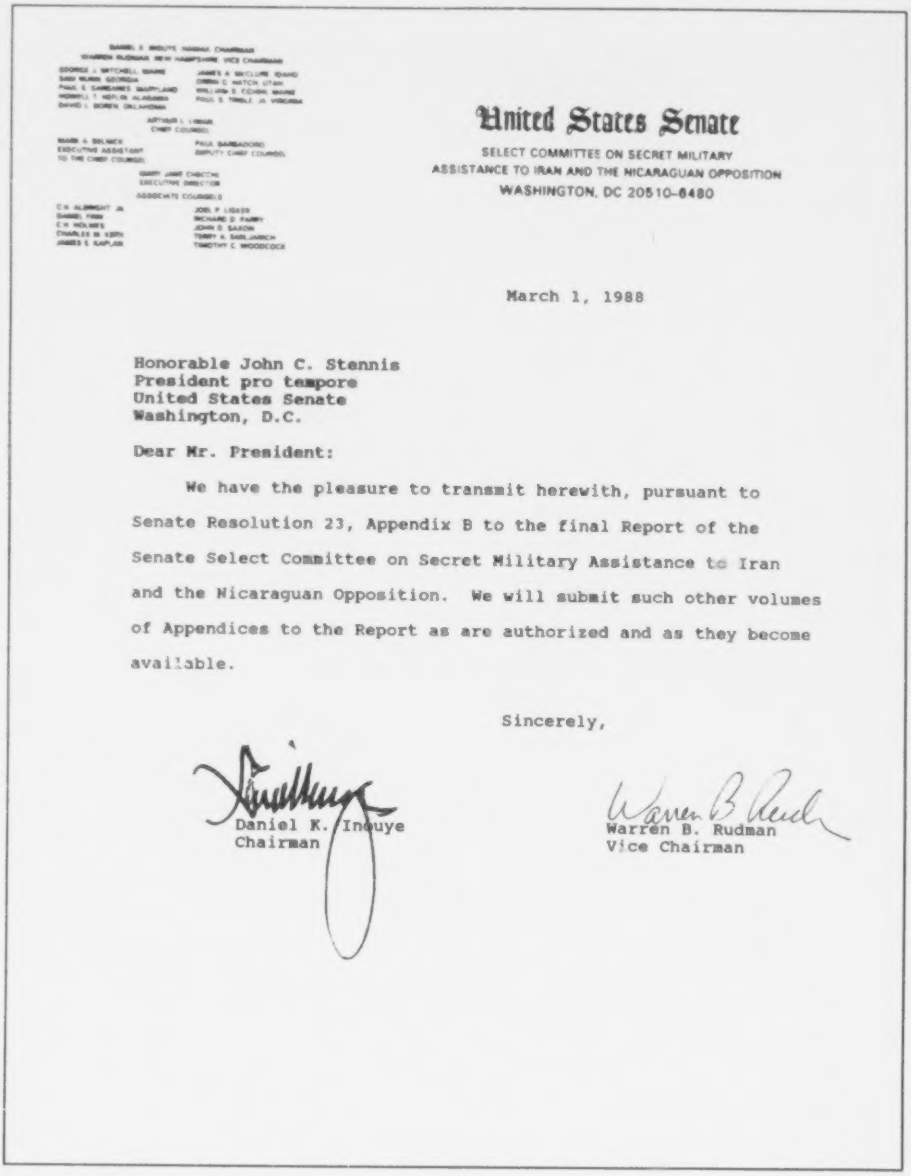
Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
Chairman



United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
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Warren B. Rudman
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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents,* 2 volumes, 1988.
Appendix B: *Depositions,* 27 volumes, 1988.
Appendix C: *Chronology of Events,* 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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DEPOSITION OF RICHARD ARMITAGE

Tuesday, May 26, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Resistance
Washington, D.C.

Deposition of RICHARD ARMITAGE, a witness herein, called for examination by counsel for the Committee, pursuant to notice, the witness being duly sworn by ANNE P. HOROWITZ, a Notary Public in and for the District of Columbia, at 219 Hart Senate Office Building, Washington, D.C., at 1:08 p.m. on Tuesday, May 26, 1987, and the proceedings being taken down by Stenomask by ANNE P. HOROWITZ and transcribed under her direction.

4205

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Partially Declassified/Released on JAN 12 1988
under provisions of E.O. 12356
by D. Sirko, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee:

JOHN SAXON, Esq.

C. H. ALBRIGHT, JR., Esq.

Associate Counsel

On behalf of the House Select Committee on Covert Arms Transactions with Iran:

JOE SABA, Esq.

ROGER KREUZER, Esq.

On behalf of the witness:

LINCOLN BLOOMFIELD, Esq.

Special Assistant to the Assistant Secretary of Defense for ISA

EDWARD SHAPIRO, Esq.

Assistant Counsel, Department of Defense

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P R O C E E D I N G S

(Witness sworn.)

Whereupon,

RICHARD ARMITAGE

was called as a witness by counsel for the Committees and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SAXON:

Q Mr. Secretary, would you state your name for the record?

A Yes, my name is Richard Lee Armitage.

Q What is your current position?

A I am currently the Assistant Secretary of Defense for International Security Affairs.

With your permission, could we get on the record the level, et cetera?

Q Yes. This deposition is cleared at the top secret-Codeword level, and we do expect to have some classified material as deposition exhibits and as topics for discussion. And we will pursue the normal DOD channels for the declassification issue if we choose to use any of this.

A Thank you.

Q How long have you been in that position?

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under provisions of E.O. 12
by D. Sirko, National Security

A Since approximately May of 1983.

Q Let me ask now that the first deposition exhibit be marked, and that simply is a copy of what I understand to be your most recent biographical sketch provided by your office?

A This is correct.

(The document referred to was marked for identification as Armitage Exhibit No. 1.)

Q Would you state for us generally your duties as Assistant Secretary?

A In general, I have the responsibility from the Department of Defense for inter-agency coordination between the Department of State, the National Security Council, the Central Intelligence Agency, for policy matters.

In addition, I have the responsibility to advise the Secretary of Defense on policy matters involving the Department of Defense for all countries of the world outside of NATO Europe. I have additional duties which I received approximately in May of 1986 in the SOF, Special Operating Forces, and counter-terrorism areas.

Q And you are responsible for the military aspects of U.S. policy pertaining to all countries except for NATO, is that correct?

A NATO Europe, right.

Q You served, I believe, in Vietnam?

A I did.

Q What was the nature of that service?

A My first tour was as damage control assistant on a destroyer off the coast of Vietnam. My second tour was as an advisor to a coastal group, Vietnamese coastal group, the ambush team advisor.

My next tour was senior advisor to River Patrol Division 54 on the Vietnam-Cambodian border. My third tour was as advisor to coastal group 21 in II Corps.

Q In May of 1975, you returned to the Pentagon as a consultant?

A Actually, in roughly April of 1975 I returned, in the final days before the fall of Saigon. I was invited to participate in those events.

Q And where principally were you located in your consulting services?

A I served for the final week in Vietnam. I then served in Washington from approximately the middle of May until, as I remember it, the late fall. And I was primarily engaged in the refugee resettlement projects.

And then in late fall through at least the first half of 1976, I was in and out of Teheran, serving as a consultant to the defense representative, Teheran.

Q In your current assignment, to whom do you report?

A To the Under Secretary of Defense for Policy, Dr. Fred Ikle, and through him to the Secretary.

Q Mr. Secretary, if you would walk us through your involvement with the Iran initiative stage of the Iran-contra affair, and that is, I principally have in mind the draft NSDD that Mr. McFarlane sent to Secretary Weinberger and to Secretary Shultz in mid-1985, your role, et cetera.?

A As I recall, in approximately June of 1985 I received a draft NSDD with a cover note from Mr. McFarlane. The cover note was addressed to the Secretary of State and the Secretary of Defense, and asked for their comments on the draft NSDD. And the Secretary had written his own remarks on a little buck slip.

This was forwarded upstairs to me, and I put together a response to that draft NSDD, the thrust of which, as I remember, was I don't disagree with the need to develop a more congenial relationship with Iran, but we did not believe that arms sales by ourselves or allowing third countries to engage in arms sales was the way to do it, nor did the Secretary of Defense feel that he could develop a more congenial relationship with the present regime.

That is, as long as Khomeini was alive the Secretary didn't feel that there was much use in pursuing this.

Q His handwritten note, I believe that's the statement in which he said this is almost too absurd to comment on, is that right?

A He said also that it's like asking Quadafi for a cozy lunch, approximately those words.

Q My understanding is that in the course of drafting a response to that draft, there was a disagreement between you and Dr. Ikle over a couple of points in terms of what should be in the Secretary's response.

I'd like to have this marked as Deposition Exhibit 2.

(The document referred to was marked for identification as Armitage Exhibit No. 2.)

Q This is a memorandum to the Under Secretary of Defense for Policy, who I believe would be Dr. Ikle. It is dated 13 July 1985. I believe it is from you.

I will give you a moment to take a look at it, and I am principally concerned here about the first page and principally --

A Just let me read it.

(Pause.)

A Okay.

Q I am principally concerned about the point that you make in the full paragraph that begins "Second," and you're telling Dr. Ikle: "I left in the recommendation to keep pressure on our allies to cease transferring military equipment to Iran. Although we have had some successes to date, maintaining, if not strengthening, our initiative is one of the few steps we can take to try to bring an end to the Iran-Iraq War. And if the war were to end, many of the pressures causing Iran to seek assistance would cease.

"Therefore, I believe we should not omit this initiative."

And then you go on to recommend which copies should be forwarded to the Secretary, and that which contained your language was in tab A, and the handwritten note at the top indicates that Dr. Ikle forwarded the version in tab B, which did not include this language.

Was there any oral discussion between you and Dr. Ikle on this point?

A There may have been. I don't recall.

Q Do you know or recall what his reasons may have been for not wanting to include this point?

A If I understand, if I remember correctly, the only point of difference was whether it was post-Khomeini or not. And I don't know -- it strikes me that he had a good understanding of the Secretary and did not want -- didn't think the Secretary would be interested in anything with the present government. That's the only thing I recall.

Q I believe the version which went forward also left out the language about Operation Staunch and keeping pressure on our allies not to ship arms to Iran?

A I'd have to check tab B.

(Pause.)

A Well, if this is tab B, it keeps in the point about stopping arms.

Q Okay.

A I believe that was the only point of difference there could have been, whether it was post-Khomeini or present, not on the staunching of the arms, as I remember.

Q If you would, then, continuing in a chronological fashion, after the draft NSDD involvement where you were more or less staffing and transmitting, what happened next in terms of your involvement?

A I don't recall any further discussion on this subject. I never saw anything more of the NSDD, never heard anything more of it. And roughly in November, I returned from a trip to Pakistan and somewhere else, and either the Secretary someone else had indicated to me that they had a feeling there were some discussions going on with Iran. And they wanted me to find out, if I could, what was going on.

Q And this would have been when, as best you can date it?

A Late November. I got back 24th or 25th, roughly, of November. It was approximately that time frame that they mentioned this to me.

I nosed around as best I could, finally decided to invite Ollie North for a luncheon in my office. I have subsequently determined that the date of that was 3 December.

I did have lunch with Ollie and asked him if anyone had been meeting with the Iranians. And he told me that he had. I made some comments about this to Ollie, and then I reported this verbally to the Secretary.

Q What can you tell us about the nature of the comments you made to Colonel North?

A As best I remember, I told him that I knew my boss, I felt my boss, didn't know anything about it. I didn't think the Secretary of State knew anything about it. I thought he was way out of line. I think I used the term that his ass was way out on a limb and that he ought to get everyone together quickly to discuss this problem.

Q Did you say something along the lines of, he needed to get the ~~elements~~ elephants together?

A That's a term I often use. That's basically the recollection.

Q And that means the principals -- Secretary Weinberger, Secretary Shultz, the National Security Advisor, et cetera?

A Yes, and the President.

Q Do you have any information which would lead you to believe that the December 7 meeting among the principals or the elephants was a result of this recommendation to Colonel North?

A I can only state that Colonel North had a great respect for Secretary Weinberger, and I can remember that he was quite shocked at the strength of my statement to him.

I can't say that the December 7 meeting was a direct outcome of this. It was just my recommendation to him to get them together, the elephants together, as soon as possible.

Q What did he tell you was the reason for this initiative or these discussions or the meetings that he had had with the Iranians?

A I've thought about it a lot. I can't quite remember what he told me the reason was.

Q Did he mention a broader strategic concern, or was it more directly related to hostages, or both, or can you recall?

A I can't recall, I just can't recall.

Q Did you make any notes of your meeting?

A No, I did not.

Q A memoranda for the record?

A No, I did not.

Q Did you meet with Secretary Weinberger prior to the December 7 meeting?

A Yes, I did.

Q And was anyone else present at that meeting? General Powell?

A My recollection is that General Powell was there. I don't think anyone else was there. I can't even be sure about General Powell, but he was almost always present.

Q And who initiated that meeting?

A I can only imagine that it was probably General Powell, speaking for the Secretary.

Q And what do you recall saying?

A I recall that prior to the meeting I had strategized, prior to meeting with the Secretary. But after being informed that there was going to be some sort of meeting that weekend, strategizing with my colleagues at State how best to stop what we understood was going to be an item for discussion, that is the provision of some sort of arms to Iran.

Q And would that have been --

A Particularly with Mr. Raphel, Arnie Raphel, who at that time was the principal deputy assistant secretary for Near East, South Asia. And the thrust of our discussions was that we felt it would be most effective if Secretary of State Shultz and Secretary of Defense Weinberger could have a very united front on this issue.

We felt quite secure in speaking for our bosses because we both knew our bosses' minds on this subject, and we wanted them to approach the President with roughly the same arguments, hoping that there would be some resonance.

Q And in those discussions with Mr. Raphel, was it your impression he already knew about this initiative, or did you have to bring him up to speed?

A I can't quite remember, but I know that when the Secretary or General Powell had asked me to see if I could find out something about somebody talking to the Iranians I also checked in with Arnie Raphel, who is an excellent bureaucrat and I figured he'd know everything.

He was getting vibes, but he, at least to me, couldn't put his finger on anybody. So I'm quite sure after I spoke with Ollie that I also informed Arnie of the fact that Ollie had been meeting with the Iranians.

Q So you talked with him regularly?

A Daily.

Q Going to the December 7 meeting --

A Even today.

Q -- did you and General Powell meet to strategize before that meeting with the Secretary?

A I don't recall meeting with him to strategize before that.

Q In that meeting, can you tell us what each party said, what the nature of the discussion was?

A In general, I reminded, I guess is the proper word, the Secretary of Defense of the down sides of this initiative. I needed not remind him, because he was quite vocal and outspoken on all of the reasons why this would be bad.

I believe that I gave him a one or two page sheet of information on the Arms Export Control Act, I think developed out of a conversation with Mr. Raphel and myself. At least that information, if not the sheet itself, was also going to be provided to George Shultz, so they both would be acting on the same wavelength.

We talked about -- and either I would make the point or the Secretary would make the point, and we'd develop it, provision of any arms to Iran could be seen as bargaining for hostages; the fact that we had enormous equities in the Gulf and that all of our other friends would be terribly concerned with any opening to Iran that hasn't been thought about and talked about with them.

And number three, that Operation Staunch was something that both he and George Shultz had been very outspoken about, and we were leaning on our allies all over town and all over the world to stop sales of even questionable systems to Iran. And here it would turn out that we were engaged in the same thing, and we would look awfully stupid.

The Secretary, to my remembrance, also questioned whether it would be legal or not.

Q What can you recall about the nature of any statement he made in that regard?

A I just remember the discussion being about legality. I can't remember any specific statement that he made.

Q Was there any discussion about notification of the Congress that we were to ship arms to Iran?

A The sheet that I gave him, if I remember correctly -- I don't have it -- had some of the facets surrounding Hill notification. So if he didn't talk about it, I believe something was contained in the sheet.

Q Would these have been dollar thresholds for when notice was required?

A Dollar, there was a dollar ceiling on one sale. I forget if it's $25 or $50 million limit of a major defense sale, and then a one item limit. So there were two aspects to it. They were both basically dollars.

Q And they would have been $50 million in one case and 14 inthe other?

A I think it was 50 and 14. I don't remember if it was 25 and 14 or 50 and 14.

Q Was there any discussion of whether U.S. approval before the fact needed to be given if any third parties were involved in shipping arms, or were third parties not discussed at that point?

A I can't recall that third parties were discussed at that meeting.

Q What would you have stated at that time as your understanding of both U.S. policy and U.S. law with regard to arms sales to Iran? And I understand you're not a lawyer and I'm not asking you to make a legal judgment, but as a policymaker?

A I will tell you what I would have responded as to policy. Our policy was to embargo all arms to Iran and to try to force them and the Iraqis back to the status quo ante of 1979, before the war started; and to try to limit the export of Islamic fundamentalism from Iran.

Q Regarding the law, if the U.S. were to sell weapons to Iran, I would have said that this would not be in consonance with our laws, as we had an embargo.

MR. SABA: Mr. Secretary, I want to pursue a moment the policy at the time of Operation Staunch. How was this Operation Staunch communicated by the Department of Defense to our friends, allies, world in general?

THE WITNESS: First of all, it was coordinated, and there was actually a coordinator in the Department of State. It was Dick Fairbanks when it first started, and then Bill Schneider took it over, and they had the lead for this.

We went out as a matter of State cables to all of our posts around the world to announce our policy in Operation Staunch, and then members of the Administration -- the Secretary of Defense, the Secretary of State, or myself as a Defense person -- in traveling, meeting with foreigners, when the subject would either arise or we had reason to believe somebody was engaged or about to engage in an arms sale, we would preempt and put in front of them our own policy, Operation Staunch, and tell them why we thought this was the proper policy and try to persuade them as best we could not to engage in arms sales.

This was also enunciated in a series of speeches and referred to in speeches by Administration officials for several years.

BY MR. SABA:

Q Do you recall when that policy began?

A Dick Fairbanks was in the job. It was right after the Lebanon experience. I would say '83, '84, probably '84.

Q Did you travel between that time and, let's say, the end of 1985 to various countries explaining that policy?

A Not specifically to explain that policy, but I did travel to various countries. And for instance, [redacted] or some country that might be engaged in selling not just weapons, but dual use items, jeeps or something -- we would certainly, or I would certainly, have put in front of them our policy.

But I did not go on a particular trip to sell that particular policy.

Q But during your trips, do you recall incidents in which you did explain that policy to them?

A Yes, I do. And there were foreign visitors into my office.

Q Do you recall what countries these were?

A Well, I can remember having discussions with [redacted] I remember certainly hearing about it from other colleagues, discussions with the European allies.

I remember -- in fact, we continue right now to have these discussions with [redacted]

Q Excuse me. Do you mean --

A [redacted] excuse me.

I think all of our Arab friends, whether I visited there or they visited me in the Pentagon, were interested in this. And I would absolutely have spoken to them about it.

Q Do you recall in the period commencing at the beginning of this policy but ending in 1985 visiting any of the Arab capitals and in the course of those meetings discussing it?

A I don't remember it specifically, but I did visit Arab countries and was in the capitals. But I don't remember specifically talking this policy.

Q During 1985, particularly the last three months, do you recall any conversations with friends, allies, indicating to you personally that they had knowledge of American arms shipments?

A Over the past several years, no, I can't remember those three months specifically. But I had heard from [redacted] Arab countries that they felt that the Iranians were getting outside supplies of weapons, and in general those countries were putting the blame on Israel.

Q Did they indicate that these arms were American arms, American origin arms?

A They indicated they were outside arms, [redacted]

They also, the Arabs in general, would speak about the ability of the Iranians to keep their aircraft in the air and think that these parts must have come from the United States, but generally through Israel. But the impact of what they were telling me was that Israel, they felt, was doing this, not the United States.

Q Was there any discussion at that time specifically of TOW or Hawk parts?

A Not that I remember.

Q So you would say, then, that it was fair to state that our public policy, as well as our internal policy, was expressed in Operation Staunch?

A That's correct.

Q And was opposed to sales, whether by us directly or by our allies?

A That's correct.

Q And it was correct that during that period, had a nation which acquired arms from us, it would have required our advance permission to transfer those arms to any third party?

A That's my understanding. It's called a third country transfer.

Q And had there been a request to make a transfer to Iran, what would your position have been?

A The Secretary of Defense would have opposed it, I would have too. The Department would have opposed it.

BY MR. SAXON: (Resuming)

Q Whose permission is required?

A The Secretary of State has the cognizance of those things. In general terms, it would be hard to believe that the Secretary of State, over the strenuous objection of the Secretary of Defense, would okay something like that without presidential approval.

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Q Am I correct in understanding that the statute gives the authority to the President, but that by executive order he has delegated it to the Secretary of State?

A I would have to review that, but that is my understanding, yes. But I don't know the mechanics.

BY MR. SABA: (Resuming)

Q Did we communicate back to the American public our policy? Was that part of your duty?

A Yes.

Q How was that done?

A Generally, in speeches, public discussions, Q and A's, radio.

Q And these speeches were made inside the United States?

A Yes.

BY MR. SAXON: (Resuming)

Q Anything that you can tell us about your discussions with Secretary Weinberger prior to the December 7 meeting when you and General Powell met with him to brief him?

A Well, I say I think General Powell was there. I know I was there, but that's basically it, other than I must say he totally and completely opposed the policy.

MR. KREUZER: Was Dr. Ikle there?

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THE WITNESS: No.

MR. KREUZER: But he is the primary policy maker?

THE WITNESS: He is the Under Secretary for Policy.

MR. KREUZER: So he was aware of all of this and read into all of this?

THE WITNESS: I don't feel he was aware of all of it. My understanding is that he was not aware of this and the finding. None of us were until some time later. I think that after he signed forward the answer to the draft NSDD, that Dr. Ikle was not involved in this. That's my remembrance, until late in '86.

I know I brought him into the loop.

MR. KREUZER: But normally, being a policy question, wouldn't this go down to the special assistant staff, who looks at policy questions, and be fed up to the Under Secretary?

THE WITNESS: No, they don't do policy questions. They do covert actions. You're talking about [redacted]

BY MR. KREUZER: (Resuming)

Q Okay. But would it go down to Under Secretary Alderman?

A Deputy Under Secretary Alderman, it could if the Under Secretary designated it.

Q Then would it normally go to Dr. Ikle?

A That's right.

Q Well then, would this be a departure from normal procedures? Would this amount to a departure from normal procedures?

A It amounts to the Secretary of Defense telling me to handle this with extraordinary sensitivity, and that's what I did. If you say is that the way things are normally handled, no, it is not. But they are normally handled the way the Secretary of Defense wants.

Q So if it weren't what he regarded as an extremely sensitive situation, then it might have gone to Alderman?

A I would have assumed that would have been the case.

BY MR. SAXON: (Resuming)

Q Did Secretary Weinberger tell you this was an especially sensitive matter, with close hold, et cetera?

A Yes.

Q In that session?

A Yes, either there or the time before, when he asked me to nose around to see if anybody was talking to Iran. But he said, this is very sensitive.

Q After the December meeting at the White House, did Secretary Weinberger at some point upon returning fill you in on what had transpired?

A He filled me in to the extent that he and George, George Shultz, had made very strong representations to the Secretary -- excuse me, to the President -- and that he, Secretary Weinberger, felt that the initiative was dead. I have used a term to describe it that is a term of his. He said: We have strangled the baby in its cradle.

Q No doubt in your mind, and apparently in the Secretary's that at that point the initiative was dead?

A There was no doubt in my mind.

BY MR. SABA: (Resuming)

Q Did you have any knowledge at that point that there had been transfers to Iran of American arms by the Israelis?

A I don't recall any knowledge of that at all at that time.

BY MR. SAXON: (Resuming)

Q Did anything transpire from that point on this issue forward until January?

A Not that I recall.

Q Did you report any of what Secretary Weinberger told you to anyone else?

A In general terms, to Arnie Raphel. And I think basically, and I don't remember at all my words, but I think it would have been, I think we got past this one.

Q And did he convey Secretary Shultz's impression of the meeting?

A No, I don't remember him characterizing George Shultz's impression, but he gave me the impression that that's the way he felt. He Arnie gave me the impression that that that's the way he felt, that we were past this and that it was behind us.

Q So what would you say would be the next point that you would have any involvement at all in this?

A In January I was informed that the Secretary was going to another meeting, another one of these meetings to discuss the initiative, which I don't believe we called the initiative. We just called it the Iran deal or whatever.

I believe I checked with Colin Powell to see if there was any need for me to do anything, and he said, no, the Secretary was armed. I think we had a conversation, but it was a rehash of our previous conversation.

Q You said the Secretary was armed. With what?

A The knowledge that he had before, that it was still good.

Q And when the Secretary went to the January 7th meeting, were you later filled in on what transpired?

A I don't remember being -- well, I wasn't filled in on what transpired at that meeting until much later. But some time later that month or in early February, I was informed that weapons were going to go to Iran.

Q When was the first point at which you recall having been informed that the weapons went pursuant to a presidential finding?

A I don't remember hearing about the finding until somewhat later. But some time -- and my recollection is in February -- General Powell told me about TOW's going, and this was that the President had decided. And so --

Q Are you able more precisely to date it?

A No, I am not. I attempted to get a lot smarter when I was called upon to be the Department's witness in the initial hearings around these events, back when Mr. Casey first testified. And at that time I had learned more about the dates things went forward, I mean things actually moved from the Army to the CIA.

But since I wasn't in that loop, it really didn't matter to me. I was informed in general terms that another trenche was going each way through the year of '86 each time a trenche went.

BY MR. SABA: (Resuming)

Q Excuse me. When you say another trenche, do you mean you had been informed that one had gone?

A No, I was informed in February of a trenche, and then some time later I was informed of another trenche, and another trenche, and then finally I think the last one was in November, the third or the fourth trenche, the announcement that I knew about.

BY MR. KREUZER: (Resuming)

Q The second one went when, roughly?

A Well, I have given you all the documents I have, but I just don't have the dates in my mind. I was in general terms informed after they went.

MR. SAXON: Let me have you mark that as the next exhibit.

(The document referred to was marked for identification as Armitage Exhibit No. 3.)

BY MR. SAXON: (Resuming)

Q And what I am showing you, Mr. Secretary, is an NSC document. Do you see on it the number in the first page, N-30353? That is the Senate Select Committee's.

A You have a different one. It's 9131. Do we have the same document.

(Pause.)

A Yes, okay.

MR. SAXON: I'm sorry. Let's go off the record for a second.

(Discussion off the record.)

MR. SAXON: Back on the record.

This is a chronology prepared by the National Security Council. You see, I believe, at the top, it says "Historical Chronology," and the date is 11/20/85.

THE WITNESS: Correct.

BY MR. SAXON: (Resuming)

Q If you would, look to page 30371.

A All right.

Q And look at the last full paragraph and let me give you a moment to read that.

(Pause.)

Q I am not going to ask you to vouch for the accuracy of that statement, but it says, in terms of these transfers, the shipment of the Army TOW's from Elliston to the CIA [redacted] it says:

"Policy level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George)."

Does this mean that you were involved in some

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coordination for the logistics of these shipments?

A No, it only means to me that if things are going to move Ollie would tell me. I was involved in no way with any of the coordination of the logistics.

Q Wouldn't it be your best judgment that this is simply an incorrect and inaccurate statement?

A I don't know that it's so inaccurate. I was the policy level guy who knew about this, but never talked about logistics with our services or anybody else.

Policy level, yes, I was the policy guy in the Pentagon who knew about it the program. But I had no logistics activity whatever.

Q Let me say, in response to a question by Mr. Shapiro, that this is not something the meeting prepared. This is an NSC chronology bearing the date of November 20, 1986.

Mr. Secretary, what would you say would be the first time you learned about the issue of U.S. replenishment of Israeli TOW's stocks?

A I have thought myself, I believe the first time I learned about Israel providing weapons and we repaying Israel was when Mr. Casey testified in November. I think that's the first time I really knew of it.

Q November of '86?

A That's right.

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Q And there were no discussions at the Pentagon to which you were a party?

A Now, I have seen a paper in the documents we turned over to you which discussed either Hawks or TOW's for Iran, but I wasn't involved in the development of that. I saw it some time later.

The first time I knew that I remember was when Casey testified up here, I believe.

Q That would be the point paper, as it was denominated, that Dr. Gaffney prepared at the request of either Colin Powell or Noel Cook in '85?

A Yes, that's right. I saw that paper some time later.

Q Dr. Gaffney did not make you aware of that?

A No, I don't think Dr. Gaffney made me aware of it.

Q Mr. Rudd?

A I think some time later in the year Glenn made me aware of the point paper. I think that's when I saw it. I am not sure of the dates.

Q Did you meet on January 2nd of 1986 with Major General Menachem Meron of Israel to discuss replacement of Israeli TOW's by the United States?

A I don't remember. I might have met with him. I don't remember meeting on that subject.

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Q So your best recollection would be that you did not discuss that subject?

A My best recollection is I did not, though I could have met with Mendy, Mendy Meron.

Q Given your stated feelings fairly clearly about the wisdom of U.S. policy in terms of arms to Iran, direct or indirect, and your statements about Operation Staunch, do you think that you would recall if you had discussed with General Meron that issue?

A I think so.

Q And if it were his statement that you did hava such a discussion, that wouldn't change your recollection?

A I would say that I don't remember it and I don't recall it.

Q Let me ask you a couple of questions about the readiness issue in terms of the provision of the TOW's to Iran. I assume readiness is something the Pentagon is fairly concerned about?

A Yes.

Q Has anyone given you a status report or made you aware of whether Army funds have been replenished for those sales which went forward for the purchase of TOW's to replenish DA stocks?

A Yes.

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Q And what would be your understanding, that those moneys have been made available?

A My understanding is that the great majority of those moneys were made available. It appears that the Army in some fashion undercharged to some degree, and my understanding was that the Secretary of Defense had asked that we recoup that shortfall.

Q I guess the question is this. Would it surprise you, then, to find out today, more than a year after the first shipment went forward, that there is still $5.6 million that has not been made available to the Army to buy TOW missiles with?

A If what you're saying is that the CIA still owes 5.6, it would surprise me.

Q No, the CIA has provided funds and, in whatever way they work their way down the channels in the Pentagon or the DA, they have not been made available to the people at Micom who actually purchase TOW missiles.

A It would seem to me that's a long time.

Q Did you have any involvement at all on the Hawk repair parts issue?

A None that I recall.

Q Let me go back to the issue of a presidential finding and have you address your discussions at whatever period you had them with Secretary Taft and Secretary

Weinberger on the issue of presidential finding. I believe you did have a discussion in April of '86 with Mr. Taft?

A No, I didn't. But we, the Secretary of Defense and I, were on a trip at that time in the Pacific. Mr. Taft was involved in calling forward, I think, another trenche of weapons. He has, Mr. Taft has, told me subsequently -- and this was in the past several months -- that at that time he asked to see a presidential finding and was shown what he was told was one by John Poindexter.

Q Where was that?

A In John Poindexter's office.

This was not communicated to me at the time, in April. This was when I was preparing to come to the Hill.

Q I understand. And your understanding of that, does it extend to whether Secretary Taft informed Secretary Weinberger that he had seen the finding?

A This is -- again, I've been told this in the past several months, that Mr. Taft said he had indicated that to the Secretary during the phone call, the phone conversation. But I don't think the Secretary recalls it at all, and I was not privy to that conversation.

Q When would that have been dated, roughly?

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A April.

Q Were you party to a discussion or conversation with Secretary Weinberger after these matters began to become public over this issue of when the Secretary might or might not have been made aware of the finding?

A Yes.

Q Tell us about that?

A The Secretary, as I recall, in November of '86 was called to the White House, and he had a finding read to him. He specifically mentioned to me that it was read to him, because he said he had not seen it, actually seen it.

I think it was published in the New York Times or somewhere, but it was read to him.

Q And this would have been when?

A November '86, to my memory.

Q As these matters were reaching a --

A While they were unfolding, but they hadn't blossomed. I mean, the leaks were out there and certainly there was a lot of scurrying around. We were getting ready to go to the Hill and I was asking the Secretary, do you know anything about a finding? And he said: I've never seen one.

And I asked: Did we participate in it, in the formulation of it. And he said, not to his knowledge.

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That's also true of me. So that's basically what I remember.

Q Did you recall telling him at some point, either in that session or shortly thereafter, what you had learned from Secretary Taft about him having read the finding?

A Yes, or Mr. Taft was there, one or the other.

Q And I believe you told --

A The Secretary can't remember that, as far as I know. He just said, I don't remember that.

Q I'm not trying to put words in your mouth or in his, but tell me if this is more or less what you recall. You told us when we interviewed you something along the lines of that Mr. Taft said to Secretary Weinberger: But I read it back in April and informed you about it. At which point the Secretary said, oh really?

Does that sound right?

A Yes. Whether it was "Oh really," I don't remember that, whether it was Taft that told me. But Taft might have been there, I think, at this discussion with the Secretary when this came up.

Q Are there any other points on the arms to Iran that you think we need to cover that we have not done?

A I would be pleased to try to answer any points that you have.

MR. SABA: I have a few things.

BY MR. SABA: (Resuming)

Q Okay. In a moment I want to walk through a couple of points in the statement that you made to the DAIG.

A To the who?

Q To the Department of the Army IG, on the pricing issue.

Has there ever come a time when you talked about the replenishment issue or the TOW's which Israel transferred in 1985?

A I don't remember it. I don't recall it, I don't recall knowing about it.

Q Would you have normally come to know about it in the course of business?

A I would have hoped so.

Q Did you know anything about the 100 TOW's -- I'm sorry, the 100 Hawks, which were in the pipeline to Israel and which were being shipped about November 20th, 1985?

A I knew about that in 1986, late '86, because I think we asked, I asked, DSAA, what's our latest Hawk deal, when's the last time we sold anything to Israel of TOW magnitude or Hawk things. And I think I was told there were some Hawk missiles, there was a normal transaction in '85, a normal notified transaction, et cetera, et cetera.

But I didn't, to my recollection, know that until some time as we were roughly either preparing for the Hill testimony in late November of '86 or even later than that.

Q When you learned of -- when did you say you learned of the '85 transfers?

A I didn't know about the Hawk. There was something about when the Secretary asked me or Powell asked me to go investigate, to see if I could find out if someone was talking to the Iranians, there was also, it seemed to me, some intel at the time that mentioned missiles.

We didn't understand very much, but it was all part and parcel of, we were trying to figure out who was talking to the Iranians.

Q This was intel that you picked up from [redacted]

A [redacted] one or the other.

Q Okay. I'd like to hear more about it.?

A Well, when I say I knew something about missiles, I didn't know what it was or what context or whose they were.

BY MR. SAXON: (Resuming)

Q When you had lunch with Colonel North on December 3rd, 1985, he didn't tell you that the Israelis had made some shipments to Iran?

A I don't recall him telling me that.

BY MR. SABA: (Resuming)

Q So there came a time when you did know at least of the TOW transfers in '85?

A No, I don't remember knowing of the TOW --

Q In '86?

A Yes, in '86, but not to Israel. To Israel, the best of my recollection, I became aware of this when Bill Casey testified and Mike Armacost and I were sitting in with him. That's the first time I remember knowing about it.

Q Just so I understand, the first time you understood about the Israel transfers of TOW's was when Bill Casey provided that information in his testimony?

A To the best of my recollection, that's right.

Q This strikes me as, it would have bothered me, I think. In view of all of the public positions you had taken in Operation Staunch in 1985, perhaps in early '86 and before that, what was your reaction to that?

A I hoped it was the same reaction as the Secretary of Defense. We hated it. We hated the provision of weapons. There was never a doubt in anybody in Defense's mind that this was a bad policy.

Q Did it strike you as unusual that you didn't know?

A After being in government a while, it strikes me as less unusual. Yes, I would have hoped I would have known about this going to Israel, but I can't recall it.

Q I am obviously trying to understand how the Assistant Secretary views a policy, having publicly gone to allies and friends and our own people and upheld one policy, and having heard a year later that while you were out talking about one policy the reverse was in fact happening?

A Well, part of the time we knew the reverse was happening, we were still talking about Operation Staunch. In my case, from February of '86 we continued to talk about Operation Staunch.

But each time I know for myself, or I can imagine for the Secretary of Defense, we didn't like it because we realized the other hand was providing some quantities of weapons to Iran. So we thought it was very hypocritical. We hated it.

The hope was, at least as the Secretary of Defense has reconstructed this to me, that in some time along the line of this policy -- that is, as we were providing these weapons the Secretary, as he stated it, would find an opportunity to stop the policy of providing weapons to Iran and we wouldn't have lost ground in Operation Staunch in the meantime.

MR. KREUZER: Mr. Secretary, in your conversations with Secretary Weinberger, do you ever recall him saying words to the effect that the Israels are sending lethal equipment or sending arms or equipment to Iran and they've got to knock that stuff off?

Do you ever remember hearing anything like that?

THE WITNESS: Well, I can recall not only the Secretary of Defense, but the Secretary of the State in the past having made what we call demarches to the Israeli officials about provision of Israeli equipment to the Iranians.

And we had made several representations to the Israelis. The Secretary of Defense has made some, I have made some, George Shultz had made some. And generally we receive the same answer: governmental policy forbade that.

MR. KREUZER: Would that be U.S.-made Israeli equipment -- in other words the equipment that we sold them?

THE WITNESS: It was not specified. It was the Israelis were selling equipment. It was never specified that I know to be U.S. equipment. It was that the Israelis were engaged in arms sales.

MR. KREUZER: But the Secretary would mention this from time to time?

THE WITNESS: Yes. He'd mention it whenever visitors came, Israeli visitors.

MR. KREUZER: Did he like talk about it in '85 or '84 or '86?

THE WITNESS: I'd like to say yes on all of the above. I know that it was pretty much a regular feature of many of his discussions with the Israelis. You see, they had a different view of the Iran-Iraq war. They generally held the view that if these two continued banging away at each other that it was good for Israel.

We felt it was bad for the world because things could happen like the Stark. Instability couldn't be contained and the Secretary would make his point that we've got to all stop any dealings with Iran, whoever.

[redacted]

MR. KREUZER: So the Secretary then must have felt very acutely about this whole business when he was apparently at this meeting on the 7th -- what was it, the 7th of January -- and then there was one in December.

THE WITNESS: I am quite sure he did.

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MR. KREUZER: But how did, like when the word came through, I presume, from Admiral Poindexter -- I'm just guessing; correct me if I'm wrong -- that the word came through at some point and they said, okay, this first shipment of TOWs are going to go to Iran, and this is the order. How did that come through; do you know? I mean, who talked to whom?

THE WITNESS: No. I have asked the Secretary and I believe he told me that John Poindexter told him the President has decided that he, the Secretary, inform General Powell to get with the Army to have some TOWs transferred to the Central Intelligence Agency.

MR. KREUZER: So did blow up then?

THE WITNESS: Well, I wasn't there.

BY MR. SABA: (Resuming)

Q That was approximately February 1986?

A I was told approximately February. I don't know when.

Q But from that time forward, through '86, Operation Staunch remained our publicly-stated position?

A Yes, it did.

Q Did you have occasion in 1986 to receive information from foreign leaders that we were transferring arms directly or indirectly to Iran, complaints, information, inquiries?

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A We continued to get complaints about -- it was generally focused as Israeli sales to Iran. At one time, in late '86, [redacted] told me that he thought the Iranian recent successes in the battlefield were not attributed as much to weapons but to new training and tactics, and I said, what does that mean. And he just smiled and my impression was that he felt the Israelis were involved in making the Iranians a little smarter on the battlefield. But I have no knowledge that that was the case.

So the answer is, I guess, yes, from time to time we got indications that Arab countries felt that Israel was continuing to sell weapons. I can't remember getting told that the U.S. was doing this.

Q Did the Kuwaitis make any complaints; do you recall?

A I can't recall.

Q Do you recall in '86 whether you or anyone at your direction made any speeches in the United States concerning Operation Staunch?

A Well, my deputies give speeches quite often, and I do, too. And it oftentimes comes up in Q and As and things of that nature. So I don't remember specifically saying go out and hit Operation Staunch. But it was a part of our policy and generally would come up from time to time.

Q So you'd say even after February '86 it remained the Department of Defense's public policy?

A It remained the Administration's public policy.

Q To oppose transfers or sales to Iran?

A That's correct.

BY MR. SAXON: (Resuming)

Q May I have that marked, please, as Exhibit Number 4?

(The document referred to was marked Armitage Exhibit Number 4 for identification.)

This is a copy of your sworn testimony to the Inspector General team for the Department of Army on 24 December 1986, provided to us by DOD. There are a couple of questions I have just based on some things that you stated. I want to make sure I understand what was meant, or, in a couple of cases, to just see if in fact this is how you still feel.

If you would look first on page 3 -- and the pages are numbered at the bottom -- the portion that I have marked, and I'll give you a second to read that.

(Pause.)

A Yes.

Q This simply has reference again, as we have already talked about, to the draft NSDD from Mr. McFarlane to the Secretary and has you telling the investigators "I did have some comments for the Secretary, the thrust of which was we would be willing to enter a dialogue with Iran, number one, and under no circumstance could we conceive of arms sold by the United States or indeed lifting of our embargo."

As best as you can recall, that's a correct statement?

A Yes.

Q And that's how you still feel?

A Yes.

Q Okay. Let me get you to look on page 4, about halfway down, through this full paragraph. There is a sentence in which you said: "I know the Secretary of Defense was very suspicious that this might not be legal."

A Un-huh.

Q As best as you can recall, is that how you felt? Is that what you understood to be the Secretary's position?

A Yes. I thought that he did have strong feelings about legality.

Q Let me get you to look, if you would, at the

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top of page 5, your first full answer there. I'll give you a moment to read that paragraph, particularly the last two-thirds of it.

(Pause.)

A Yes. All right.

Q Let me ask you, if you would, to expand on that a bit. We know that you have already indicated that you were either out of town or out of the country at one point and General Powell needed some information, as you say here, on HAWKs, and he went to individuals in DSAA, either Dr. Gaffney --

A I think he went to Mr. Koch and then Koch to Gaffney, but I have put that together subsequently.

Q All right. In your statement here it says: "When I came back, DSAA had made me aware that they had provided to General Powell some information on HAWK missiles." Do you recall who would have told you that?

A No, I can't remember. Someone said Rudd here today, and it could have been.

Q As you say there, "My best remembrance is November-December '85 on that." So at some point in that time frame you were apprised of what?

A That a point paper had been done on HAWK. I actually frankly think it was later than November-December. It was after I got back from Pakistan and

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somewhat after the paper had been provided to General Powell.

Q Okay. If you would, look down to the next full paragraph where you were responding to Colonel Morton. Just take a moment and read that, if you would, sir.

(Pause.)

A All right.

Q I believe we just addressed this a moment ago, but let me see if I can get you to recall anything with any greater clarity. I know we are asking you to look back in time, but it was your judgment that Secretary Weinberger said that he was made aware that the President wanted this either by the President or by Admiral Poindexter?

A That's correct. I am now more of the opinion that it was John Poindexter who called the Secretary, but if the Secretary could come in tomorrow and say it was the President it would be the same to me. And the reason that I say I'm somewhat more sure is because I obviously in the last six or seven months have had many more conversations with the Secretary on this subject, so I am getting more sure.

Q And when approximately do you think that would have been conveyed to you by Secretary Weinberger?

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A That was after things started to become public, and I was trying to in a hurry get smart so I could come up here and be reasonable in front of the Committee.

Q Okay. If you would, sir, look at the next page, page 6. You are asked a question here. If you would look at your answer there (indicating) --

A Yes.

Q You state that "sporadically during the year I heard either from Vice Admiral Jones or Mr. Taft that there were other shipments." Now Vice Admiral Jones would be Admiral Donald Jones who took General Powell's place as the Secretary's military assistant?

A That's correct.

Q And Mr. Taft the Deputy Secretary. So is it your sense from this statement that periodically from time to time you would hear that other shipments had gone forward?

A Yes, it is.

Q Would that have been limited to the TOWs or would you have also been apprised about HAWKs?

A I don't remember specifically hearing about the HAWKs. I think it was just shipments. From my point of view, frankly, it didn't matter because I wasn't involved in any of the arrangements.

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Q I'd like for you to look at page 10. About halfway down the page there's a question that begins, "Sir, when we talked to General Powell," and goes on to say "he thought", General Powell thought, "we should talk to you and to Admiral Jones.

The investigator says: "Based on your knowledge, sir, do you think it would be beneficial for us to talk to Mr. Taft?" And you say that you think it would. Is that your recollection?

A Yes.

Q And as far as you know did they ever talk to Mr. Taft?

A I can't say.

Q Would you tell us why you thought it would be important that they might want to see Secretary Taft?

A My understanding was -- and again this was after all the revelations were out and I was involved my own self in trying to piece together what happened -- first of all he, Mr. Taft, played in this issue when the rest of us were out of town, number one, so he had a part, and, number two, that I either saw something, some document or some note or something, memo, to the Deputy Secretary or I was informed that perhaps Mr. Marsh or General Wickham had spoken to him -- to him, Taft -- around the April time period. So I thought it was essential that they do see him to get a full picture.

Q Let me now ask you to take a look at Deposition Exhibit 5, which is a chronology supplied, as you can see, by Ambassador-Designate Raphel on his knowledge of the Iran arms transfer issue.

(The document referred to was marked Armitage Exhibit Number 5 for identification.)

I think this would be Arnie Raphel, who was at State. Again, I'm not going to ask you to vouch for the accuracy of anything that is in here, but I would like you to look, if you would, at the page of the chronology itself that is numbered page 2.

At the top you see November 24. You can see that each date he has numbered in the various notes and entries and so forth. If you would look at the December 3 entry, it says "Assistant Secretary Armitage told me that Colonel North had said that he would be made the scapegoat if the operation goes wrong, but that we have lost little by trying."

Is that generally an accurate statement; do you recall?

A I don't really recall that, but Arnie's very good. He's very precise.

Q Do you recall Colonel North telling you that?

A No, but I do recall Ollie being very shocked when I said how much the Secretary would hate all this, and in that context it makes sense to me, but I don't remember that statement.

Q The next sentence, again from Mr. Raphel's chronology, "Reportedly, Colonel North added that the Iranians involved are disreputable." Do you recall him making that statement to you, Colonel North?

A I don't think he used that word. I think he used somewhat more colorful language -- some people think they are dirtballs or something like that. But that's Ollie.

Q Do you recall conveying that to Mr. Raphel?

A No, I do not recall it, but I'm sure I did because I shared a lot with Arnie. He was my major contact on Middle East issues.

Q Let's go off the record a second.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q Mr. Secretary, if you would look again at page 2 of Mr. Raphel's chronology, he says: "On December 6 I was told that the operation involved trading arms [redacted] and that there was a need to replace 3,300 I-TOWs in Israel." Now he states later that he cannot recall whether you may have provided him that information

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or the information in the next entry for December 6, which is "my notes reflect that I was given information on the provisions of the Arms Export Control Act and how they applied to arms transfers."

Would you have a judgment as to which of these you might have talked to him about? [redacted]

A I don't think I gave him the [redacted] thing. On the AECA, the Arms Export Control Act, provisions, I know I did discuss that with Arnie.

Q And would it have been about December 6?

A Oh, yeah. It was in preparation --

Q For the December 7 meeting?

A Yes. I remember having discussions on the Arms Export Control Act with Arnie.

Q Let me ask you, if you would, to turn to the top of the next page, page 3. There is a December 13 entry.

A Yes.

Q And in ~~my notes, which are on the~~ THE COMMITTEE'S NOTES WHICH BEGIN ON Pg S003492. LOOK AT THE PAGE page numbered S-003494, if I could get you to look that over.

A I've got this, Raphel's notes, State.

Q Yes. And then ~~he has~~ THERE IS a quotation. ~~He~~ IT says: "Raphel thinks Armitage told him this." Let me get you to look at both the December 13 entry and the one on page 2 OF RAPHEL'S CHRONOLOGY and see if this refreshes your recollection as to

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whether you might have told him any of this.

A There is no December 13 on page 2. Page 3?

Q Yes, sir.

A I don't think on page S-003494 [THE COMMITTEE NOTES] that I am the one who told Arnie Raphel at Ollie North hostage meeting last night, because I was not a member of the OSG at that time. So I don't believe that was me.

Q Okay. If you would look under the February 5 entry on page 3 [OF RAPHEL'S NOTES] still --

A Got it.

Q It says: "I was told that we were attempting [redacted]" Then if you look to [the Committee Notes ~~the same page~~, under February 5, it says: "This information came from Armitage, according to Raphel's best guess, because Armitage's initials appear next to it. His note was that [redacted]

A I would guess that's me. If you are interested, we had had some trouble periodically with [redacted] on this Iranian caper. At one time we felt at the Department of Defense that we were cut off. State apparently was still cut off. I was keeping Arnie informed. I don't remember that conversation, but it would have been something I would have shared with Arnie.

Q I was going to ask you about that. Let me at this juncture do it. It was your statement, I believe, that DOD was cut out [redacted] in terms of Iran at some point; is that correct?

A My understanding is that OSD was cut out, but that Admiral Moreau of the Joint Chiefs of Staff for some reason still got his copy and occasionally shared it with Powell and the Secretary. And this was what I think had tickled the Secretary's nose that there was something going down with Iranians.

Q Do you have a sense as to how that came to be or who was responsible for cutting all of OSD?

A I don't know who did it. I got a sense the direction came from the NSC.

Q Do you have in mind who might have done that?

A No. Well, there are three or four suspects, but I don't know.

Q Okay. Going back to Mr. Raphel's chronology, on page 3 again, the February 12 entry, he says: "I was told that David Kimche and the Israeli MFA was no longer involved in the arms sales operation." in the Committee ~~On the page where~~ notes, ~~he elaborates~~ on the February 12 entry, it says: ~~he says~~: "This information came either from Ken Quinn or Armitage", and the notes simply say "Arms to Iran, Kimche out." Do you know whether that might have been from you?

A I don't think it was me, and the reason I say that is because I knew David Kimche from the Lebanon days and referred to him as the owl, and I'd have almost certainly said something like that to Raphel. It's the owl.

Q Let me ask you, if you would, to look at the final entry on page 3 of July 24, where Mr. Raphel says: "I was told that Mr. Ledeen contended he established the original contacts with Israel to set up the arms transfers and that this was done with Mr. McFarlane's permission. The purpose to arrange for a more moderate regime in Tehran and to do so while Khomeini was still alive. The Iranian response was to ask for arms."

Now in ~~his [illegible]~~n the Committee notes on July 24 it says "Raphel thinks this came from Armitage, who got it from Ledeen or North." Do you know whether you might have been his source for that?

A June 24?

Q July 24.

A Excuse me, July. No. The reason I say I don't think it was me, I dialed into Michael Ledeen somewhat later in the year, so I don't think this came from me. But that's consistent with what Ledeen told me later in the year, I must say.

Q Okay. This completes my references to this

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document and I appreciate your helping us to try to make sense of that.

Mr. Secretary, let me ask you a bit about the OSG. We've talked about it and you've made reference to it. Exactly what was the OSG?

A The OSG was a small cell established in the White House, the Operations Subgroup of the Terrorist Incidents Working Group, the TIWG. It consisted of membership in the Department of Defense, the FBI, CIA, NSC, and the Department of State, and it was established in the wake of the Holloway Report on Terrorism. It was to be a mechanism that could reach to principals very quickly, not having to go through all sorts of bureaucratic machinations to get quick answers for quick-developing situations.

Q Was there a point at which any of its discussions focused on arms to Iran or arms for hostages, as best you recall?

A As best I recall, in several of the meetings there were inferences by one or another participant to this, not directly. I don't remember it coming out as a direct discussion in front of the OSG of this program. But various members of the OSG had various parts of the puzzle and either on the margins of an OSG meeting or in a reference across the table at an OSG meeting there was

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generally what I would call a disparaging remark asked about the policy of providing arms to Iran.

It was never a subject that I remember from my participation in the OSG of an OSG meeting.

Q Do you recall who might have made that disparaging remark?

A I remember making some. Bob Oakley had made a couple. Later Jerry Bremmer made some remarks.

Q Who replaced Ambassador Oakley?

A Who replaced Ambassador Oakley. I don't believe unless someone was witting of the whole program that they were remarks that made sense to the whole group.

Q But they were remarks along the line of why are we saying this, given what we are doing?

A Or this sure is stupid to spend all this time talking about how strict we are on our no-ransom, when on the other hand we're doing something else. But a remark and then gone.

Q Was there a time when General John Mollering, the JCS representative, asked you what the heck everybody was talking about?

A There was a meeting in the summer and, as I remember, there was a little bit more chatter around the table than usual. I felt somewhat bad, and I can't remember if John asked me in the car going back or I felt so bad I raised this to John Mollering, but I said there are some things you ought to know, and I gave him a very general outline, that we were indeed providing some weapons to Iran.

Q This would have been approximately when -- late June or early July of '86?

A I would say it was July, but it was summer.

Q And what was General Moellering's position?

A He was appalled.

Q I'm sorry, what was hit --

A He was Assistant to the Chairman.

Q Of the Joint Chiefs?

A Of the Joint Chiefs of Staff.

Q And as best you know that was his first knowledge of this?

A Yes.

Q And was Admiral Crowe, the Chairman of the Joint Chiefs, knowledgeable at that time, as far as you know?

A My understanding was that General Moellering had returned and made him knowledgeable.

Q Now to the question you were about to answer. What was General Moellering's reaction when you informed him of this?

A To the best of my recollection, he was appalled or disbelieving.

Q Now how do you know that he informed his boss, Admiral Crowe?

A In the workup again to testimony after the program had been made public this came to light.

Q That he had told Admiral Crowe and it had also come to light that Admiral Crowe had gone down to see, or up, or wherever to see Secretary Weinberger?

A He went up to see the Secretary, and this also came to light as we were preparing for testimony.

Q Before I ask you on the issue of readiness about the TOWs, let me ask you a question or two about the HAWKs. Have you been made aware at any point, either at the time or subsequent to the shipment of the HAWK repair parts, about the readiness impact data that was in front of the Army policymakers when they were trying to decide whether to meet the requirement to the CIA?

A No.

Q So you would not be aware, [redacted]

[redacted]

A I was not aware.

Q And have you been made aware of this prior to today?

A No.

Q Do you recall an OSG meeting in the afternoon around the time of the Attorney General's press conference, or shortly thereafter, in which a statement was being prepared for President Reagan and it was circulated in which President Reagan was going to comment on and explain these matters, and it was circulated and then there was apparently some reaction to it that was fairly strong?

A Yes, I do.

Q Tell us about that meeting.

A It was in late afternoon, my recollection was around 1600, as most of the OSGs were roughly that time. A statement was being prepared for the President. I had seen a copy which came over maybe an hour or two before the meeting. I was annoyed and alarmed about it and called it to Mike Armacost's attention. I said this looked like trouble to me. I think I used the term it asks more questions than it answers.

We then got into the OSG and various members were asked to take a look at the statement and then take it back and make some comments, to provide comments later to Ollie's office. But in the nature of bureaucracies people started reading right away and people started commenting right away. And to my recollection the JCS representative, the OSD representative, the State representative, and the FBI representative all had very serious reservations about the statement.

Q Along what lines?

A Mine -- that this looked like it asks more questions than it answered. If the President doesn't know any more about this, he ought to just say well, open up. Once I get it, I'll make it all public. But this looks kind of cooked. Now those are not quotes, but that's the thrust.

General Moellering said something about I think that I was around here during Watergate; this looks like -- you know, this not real. Buck Revell --

Q Of the FBI?

A Of the FBI had some comments. I just remember they were along the lines, but I was subsequently told he had fired over some comments to Ollie in the wake of that meeting to try to bring the statement more in line with what he knew to be the facts.

In general, all the people I mentioned bled on that statement.

Q And were you subsequently told by Craig Coy of the NSC staff that this reaction was so strong that Colonel North ran across the street to either see Pat Buchanan or Don Regan to have the statement changed?

A Well, I think it was Craig who told me that they were surprised at the strength of reaction and the kind of unanimous opinion of the group, and that Ollie and maybe someone else -- I can't remember whether it was Ollie alone -- went across the street to either Pat Buchanan or Regan's office to try to get it changed. I think it was Craig who told me that.

Q Let me ask you, Mr. Secretary, about some of your discussions with Colonel North, and you've been quite open previously with the Tower Commission and the Senate Select Committee in characterizing several of them, and I want to ask about two or three in particular. You probably know which ones I'm talking about.

First, there was a statement sometime in 1986 in which Colonel North talked about General Secord and, as I think you said, it was something along the lines of Secord needs to get the Medal of Freedom.

A No. We said the President -- well, he didn't say "needs". He said Secord's a national hero; the

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President ought to or will give him the Medal of Freedom.

Q Tell us more about that -- when you think it might have been said, what the context was, et cetera.

A The context. I had come to understand that Dick Secord was involved in this Iranian affair, and in one of my conversations with Ollie I expressed to him how terrible it was, and I think I also said I was very surprised that Dick Secord would be involved in this, and he said that Dick Secord was basically a great American and the President is going to give him the Medal of Freedom. And I don't recall the time.

Q When were you made aware that General Secord was involved in some way?

A I don't remember that either, but it had to be after -- sometime after February of 1986, that I recall.

MR. KREUZER: Mr. Secretary, in regard to that, is that the kind of statement that if Ollie North said that to you, would you say well, if Ollie says the President's going to do that, then he's going to do it, or was that just advertising?

THE WITNESS: I don't know. I can't answer that question. This is what Ollie told me.

MR. KREUZER: The thrust of what I'm trying to get at is can you comment on how close he is to the President or was?

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THE WITNESS: I could have commented on that several months ago, but I can't comment on it now because I don't know basically when I learned what. But at one time it was pretty generally felt in the Administration that Ollie was very close.

MR. KREUZER: That he could just walk in?

THE WITNESS: Well, that no one could just walk in, but that he was able to get in to see the President quite often. However, I have been informed from newspaper stories and testimony throughout the past many months that this wasn't the case. I'd have had a lot easier time answering that seven months ago. I would have answered more in the affirmative several months ago. Right now I just don't know. But he said it.

BY MR. SAXON: (Resuming)

Q Do you know how you became aware or were apprised that General Secord might have been involved in this?

A No, I don't remember, and it could have been either Ollie or it could have been the Israelis sometime during '86, but I can't remember who it was. I know I was surprised.

BY MR. SABA: (Resuming)

Q Why were you surprised?

A Dick Secord is a man, in my view, of enormous intelligence, and I just couldn't believe that he was involved in something that I personally felt was very silly.

Q When you learned he was involved, apart from your view of him as an individual, were you also surprised that the operation had gone private?

A I don't think I knew it as public or private. From my point of view Ollie was involved and consequently it wasn't a private operation. It was the government. So I don't think I ever thought about it in terms of private or public, and I didn't know what Dick was doing. But as far as I knew Ollie was involved, and as far as I was concerned this was a government thing.

After all, there had been discussions in the National Security Council about it.

Q Is it correct to say that you had no knowledge of Secord's involvement prior to the February 1986 transfers?

A To the best of my recollection, because I hadn't seen Dick in some time. But I could have known. I think it's February -- to the best of my recollection, sometime after February.

BY MR. SAXON: (Resuming)

Q Let me go back to your conversations with Colonel North. I believe you testified that after the

Iran initiative became public and the McFarlane trip to Tehran but before the Attorney General's press conference at which the diversion was talked about Colonel North made the statement to you along the lines of well, that this won't be so bad when people find out the Ayatollah is helping us fund the contras.

What can you tell us about that statement -- exactly what you recall the statement being, the context, et cetera?

A As I recall, I was again preparing to go testify and I called Ollie on the black phone, the secure phone, to find out what was going on, to fill in my knowledge a little bit more. And I think -- in the wake of this I've thought a lot about it -- that Ollie was concerned that I was very upset about this project, and he said basically, Rich, don't worry. It'll all be all right when the Vice President goes to Riyadh to sit down with the Iranians and they find out that our hostages come home, and that the Ayatollah is either helping us in Central America or the contras.

The impression that I got was that it was the contras, but he could have said Central America. And I said, Ollie, wow. And then he and I stopped the phone conversation. As I think I've told you and others before, I then called Mike Armacost and just reported that I had what I considered to be a rather baffling conversation with Ollie in which he talked about the Vice President going to Riyadh, sitting down with the Iranians to talk about peace in the Gulf, getting help in Central America or the contras, and our hostages being freed.

And Mike, who shared the same anxiety I had about having to come to testify not knowing much about the program, just kind of said wow, but we didn't go into it any more.

Q I realize that we have the benefit in asking these questions of hindsight and knowing a whole lot more than you knew at the time, but did you not inquire further of Colonel North as to what he meant by that?

A I thought he was losing his grip at that time. I thought he was saying this to make me calm down, not realizing it had the opposite effect on me. I thought he was losing the grip.

Q Was there a point at which you connected the Ayatollah and the contras in the sense of diversion as we have come to know it?

A No. No. When the Attorney General mentioned this, that was the first time I realized it.

Q Did it click, though, in terms of relating it back to what Colonel North told you previously?

A Well, I remembered it, but it didn't click in a major way. I just remember the conversation. It wasn't too far afterward, too many days.

Q Do you recall if you told anyone about that conversation other than Secretary Armacost?

A I'm almost sure I have, and I can't remember to whom I said it. I know I've told a lot of people since.

Q But roughly in that time period did you tell Mr. Raphel?

A Well, I might have told Raphel, but I can't remember. I know I told Mike because he was having to testify with me.

Q I believe there was a time when you asked Colonel North if he was all right in terms of the press stories that were beginning to be written sometime in early '86 about NSC involvement in aiding the contras, and he basically told you his hands were clean and so forth. Can you recall anything about that conversation?

A Yes, and I can state that it was not just me that asked basically that question. I, from time to time, participated in something that was called the RIG, the Restricted Interagency Group.

Q And this was the RIG chaired by Mr. Abrams?

A Chaired by Elliott Abrams. I came to participate more in the RIG toward the end of '86 because my deputy, Mr. Sanchez, after six years was going to retire and I had to pick up that slack a bit. And at least one and, I think, several of those RIGs the story kept cropping up. I think Senator Kerry had been hounding Ollie and I made the general statement about Ollie. All right, are you all straight on this. And he assured me that he was, that it was absolutely legal, no problem.

In a subsequent conversation either Elliott or someone else at the RIG, probably Elliott, said, hey, Ollie, this press stuff, is there anything to it. And Ollie said he was absolutely straight -- not a nickel, not a penny or no money had touched his hands. I remember two or more occasions when his colleagues basically inquired after Ollie's legal health.

Q As far as you know, were there any notes or minutes of those meetings that would reflect this, or memcons?

A No, I am unaware of any.

Q We covered before partially the question of when you might have told Dr. Ikle about the arms to Iran. What do you think is the time frame on that?

A The best I can remember it was late '86, and if I had to pin down a date I'd say it was the beginning of autumn but it was before it became public.

Q Let me ask a little bit more bluntly the question that Mr. Kreuzer asked earlier, and let me preface it this way -- that Dr. Ikle was your boss and he was the top Pentagon man for policy. I understand that if the Secretary says something is a close hold that means it's a pretty close hold. But did you not feel at any point that you had an obligation to him to apprise him of something which you thought was a major departure from our stated policy vis-a-vis Iran?

A Well, I will remind you, first of all, that we all work for the Secretary of Defense primarily. That's our boss. Second of all, I obviously had qualms about this. That's why I eventually let him know what I figured he needed to know to conduct his business without an embarrassment to him. But I didn't realize this was going to become public in November. So I guess the answer is yes to both.

But we both work for the Secretary primarily.

Q I'm not trying to pass judgment.

A No. It's very important because we are both Presidential appointees. We both work for the Secretary primarily. If the Secretary were to tell me to do something legal and tell me not to tell X, Y or Z, I would not tell X, Y or Z. He didn't specifically direct me not to tell Fred, but he told me it was sensitive, to keep it quiet.

Q Did you ever discuss the Iranian arms initiative with Noel Koch prior to the matters becoming public?

A Yes.

Q Do you recall when you might have had any discussion with Mr. Koch?

A Sometime, I would say roughly January or February. It might have been late December.

Q January or February of?

A '86. It might have been December '85.

Q And what do you think might have been the reason for discussing it with him?

A It seems to me that he might have raised it with me, but I remember having conversations with him on it. I think he probably raised it with me. I remember he knew about it.

Q Did anyone tell you that he was involved in negotiation with the Israelis on the price that was to govern the TOW shipments to Iran?

A No, they did not.

Q Have you been made aware of that prior to today?

A This is the first I've heard of it.

MR. SABA: This is the first?

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THE WITNESS: This is the first.

MR. SAXON: I would say it was a pretty close hold, then.

BY MR. SABA: (Resuming)

Q Do you know a gentleman by the name of Ben Joseph.

A Ben Joseph, Ibraham Ben Joseph, yes.

Q Ibraham?

A Ibraham Ben Joseph. He is the Israeli procurement guy in New York.

BY MR. SAXON: (Resuming)

Q Have you ever had any dealings with him?

A All the time.

Q Did he ever mention any dealings he had with Mr. Koch?

A No, but I know Ibraham was privy to this operation.

Q How do you know that?

A I have been told that subsequently. I was told sometime during '86 that arms were going through Israel and that Ben Joseph knew about it.

Q Do you recall who told you that?

A No, I don't.

Q Could General Meron have told you?

A Very possibly. Just for the record, Ben

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Joseph is our major interlocutor on all systems transactions or tech transfer or anything with the Israelis. He works out of New York.

Q I want to go back to the TOW pricing question. You told the Department of the Army Inspection General team that as far as you knew there was no pressure that the Pentagon put on the Army to keep the price of the TOW missiles low; is that correct?

A That is correct.

Q Do you find it at all curious that the GAO report that looked at the pricing found that several discretionary items, that they all came out on the low side -- and that is particularly that the price the Army charged on the I-TOW was too low, that the standard AMDF price for the basic TOWs was too low, that the price for the MOIC was too low, and that the Army underestimated the charges for transportation?

A I don't find it so much curious as I found the whole operation rather badly done. I concentrated more on the final bottom line of the GO, which pleased me quite a bit.

Q As you were looking back on all of this to try to reconstruct what took place with the pricing in late '86, after it became public, were you made aware of the role that Mr. Ledeen and Mr. Schwimmer played in fixing the first price on the TOWs?

A No.

Q Let me ask you, changing gears now from the Iranian side of these matters to the contra side, let me ask you a few questions about the private supply operation and private supply network. That's what I'll call it. If you know it by some other term, that's fine.

I believe you told the Tower Commission that you knew that some weapons were getting through somehow because the contras continued to fight; is that correct?

A Yes.

Q What would be your sense of how those arms got there?

A I assumed that -- well, the conservatives were providing money, and this money then purchased arms on the grey arms market. I knew that some Americans had been reported to be doing this -- Jack Singlaub and others. I also, I think I told the Tower guys and maybe you, my understanding was that it was at least the implicit, if not explicit, discussion of this in the Hill testimony surrounding the provision of $27 million in humanitarian assistance to the contras, basically to the effect that well, weapons are coming from somewhere, so we are only going to do humanitarian.

Q Did you ever have any discussions with General

Singlaub about his role in these matters?

A None that I recall.

Q What do you know -- what did you know during or prior to these matters becoming public about the air strip that existed in Costa Rica?

A I knew nothing.

Q You knew nothing?

A I knew nothing.

Q When did you first learn that it was being used for air drops or resupply?

A When things became public.

Q Did you ever have any discussions with Colonel North about use of this air strip prior to it becoming public?

A Not that I recall, no.

Q Were you ever involved with Colonel North in what could be called concocting a cover story for the air strip if these matters ever became public?

A No.

MR. KREUZER: Mr. Secretary, was it your sense -- you mentioned a couple of minutes ago that you understood that private benefactors may have been contributing to the lethal, what you say was lethal support.

THE WITNESS: I think I said money. They were giving money and then with the money my assumption was the contras could go purchase arms on the market.

MR. KREUZER: Did you ever ruminate on how much of that effort would be covered by private benefactor support?

THE WITNESS: None whatsoever. I never did.

MR. KREUZER: You never equated how much they would be able to provide as opposed to, say -- in other words, did the question ever come into your mind about whether they would be able to provide overall support to a contra effort of maybe [redacted] as opposed to some other source of support?

THE WITNESS: No, I never did. I must say that my own efforts on behalf of the contras, if I can be allowed to say that, were somewhat periodic. As we geared up for a fight, I'm sure you'll see the attendance at different meetings in the White House and all would reflect much more my attendance, because we would have to lobby the Hill, we would have to work these things.

As we were not doing that, then I was a much less frequent attendee at the normal meetings because I felt I had a very good, and do feel that I had a very good deputy in Nestor Sanchez, who knew these matters very well and was perfectly competent. But as we got to a crunch point and I felt it needed the artillery of my rank rather than my personal efforts, they needed an Assistant Secretary to come lobbying and this, that, and whatnot. So I participated to a higher degree.

BY MR. SAXON: (Resuming)

Q I want to follow up on the Costa Rican air strip and have you mark this as the next deposition exhibit. I will give you a moment to look through this.

(The document referred to was marked Armitage Exhibit Number 6 for identification.)

A Do you want me to read it?

Q Sure.

(Pause.)

A All right. I have read it. I see what you are getting at.

Q Mr. Secretary, this exhibit is a memorandum from Colonel North to John Poindexter. It's dated September 30, 1986. For the record, it's got the initials JMP, which I guess suggests that Admiral Poindexter had seen it, and it's with regard to the air strip in Costa Rica to which I made reference a few minutes ago, which we now know was used for air drops for getting supplies, including lethal supplies, to the contras during the period when U.S. assistance was cut off.

Let me direct your attention to a couple of paragraphs on page one of the memorandum. It starts off in paragraph two saying "Request guidance at Tab 1 has been coordinated with State, Mr. Abrams, Defense, Armitage, and CIA, [redacted]" Let me ask you first if you have any recollection of Colonel North coordinating with you anything in terms of how this issue of the use of the air strip, its construction or anything else would be portrayed in the press.

A I certainly don't remember this, and I knew nothing about the air strip. It is possible that this press guidance came through me from Nestor, but it doesn't look to me -- I mean, I wouldn't have known what it was. I could have coordinated, but I certainly don't remember it at all.

Q Okay. I can understand with the many issues you have to deal with that you may not have total recall of all of these.

A I say completely unabashedly that I have no knowledge of this.

Q Okay. You'll understand if I have to ask a few more questions.

A Please.

Q We are trying to piece all of this together and we do know the air strip -- we are fairly

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confident of the uses to which it was put and what the U.S. role was in that. Colonel North says in his memo to Admiral Poindexter that the damage done by this revelation is considerable. He talks about the logistics support provided by Project Democracy on the ability of the resistance movement to sustain itself. He says the air field at Santa Elena has been a vital element in supporting the resistance and so forth, and talks further through the memo about the strategic importance of the air facility, et cetera.

Is it your statement that you had no knowledge whatsoever prior to these matters becoming public that we were using this air strip to supply the contras?

A This is my statement.

Q And you don't recall at all him, Colonel North, talking to you or dealing with you to work at a press statement which in effect was a cover that disguised its purposes?

A No, I certainly don't remember it. I must say that, having read this press guidance, this wouldn't offend me, but I don't remember it at all.

Q I'm sorry. What do you mean?

A Well, the press guidance, as I read it, looks fairly non-controversial and nothing to it. I myself did not know that the air strip was being used for contra

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resupply. If someone had come to me and said, look, these are the facts, we've got this, I would have okayed it. But I don't remember seeing this.

Q Okay. I understand the distinction.

A I don't remember seeing this.

Q Let me ask you a few questions about General Secord, who we alluded to earlier. As best as you can recall, when did you first meet him?

A I met Dick in Iran at his pinning of his general officer stars, either at the last month of '75 or the first month of '76. Whenever he pinned them on, I was in that ceremony. That's the first time I met him.

Q And this was when you were a consultant to the Pentagon?

A And, more particularly, to the defense representative to Iran.

Q Have you had any ongoing or continuing relationship with him since that time?

A Oh, yes. Well, when I left Iran and I did not see Dick Secord, and I left in the middle of '76, nor have any communication with him until 1981 in the advent of this Administration.

Q When you both arrived at the Pentagon?

A Well, I arrived there. I think he was already there. I can't remember where he was, but at any rate I have the highest regard for him personally. I had a high regard them. I introduced him, as I remember, to Frank Carlucci as a job-seeker and he got the Near East/South Asia job as Deputy Assistant Secretary. He held that job until roughly the end of April 1983, at which time he retired.

From the end of April 1983 to now I've seen him possibly three or four times and, to my recollection, I haven't seen him or spoken to him in over a year and a half or more now. I consider him a friend.

Q You say you don't think you've spoken to him in about a year or a year and a half?

A The reason I dare say that is I have asked my own staff, my secretary, in preparation for either a call by you or the FBI when the last time Dick Secord was in or around. They couldn't remember. They put it together as a year and a half.

Q And a year and a half would include the period in May of '86.

A It certainly would appear then.

Q Do you recall whether you talked to him in May of 1986?

A I don't recall. It's possible, but I certainly don't recall it, nor did my staff.

Q Would you recall that if you had spoken to him about the Iranian arms shipments?

A If I spoke to him, I would have spoken to him about the Iranian arms shipments. There is no question--no question.

Q If you had spoken to him, would it have been captured in the record-keeping system you have in your office?

A No. No, it wouldn't have been. I don't generally make a memorandum of conversation afterward, and I can't remember the last time I saw him. I'm depending on my staff's advice, and I asked them when's the last time I talked to him. But if I talked to him in '86 after I knew he was involved, I can assure you I would have talked about Iran.

Q For what it's worth, he, Richard Gadd, says that at about the time of the second arms shipment, which would be in May of '86, that General Secord told Mr. Gadd about a conversation you and he had and, for what it's worth, apparently you told General Secord this was not a very bright idea. So if you did have that conversation, it was a consistent statement. That's what Mr. Gadd says.

A That's fine. I would have told Secord it was a dumb idea. There is no record of his coming into my office, I must say, and no phone record that anyone remembers.

Q After General Secord left the Pentagon, was he a consultant to ISA?

A He was initially a consultant to me.

Q And what was the nature of his duties?

A I don't remember ever having paid him to do any, but it was going to be consulting on Near East/South Asia. It could be that he did a little work for us, but I don't believe much.

Q And was he later a member of the Special Operations Advisory Group, the SOPAG?

A Well, he was dropped from my rolls as a consultant and he was picked up on the rolls of Mr. Koch as a consultant to the SOPAG -- special policy advisory group.

Q And what do you know or understand to have been the reasons for his being dropped from the SOPAG rolls?

A My recollection is that -- background. I took over SOF in roughly May, late May of '86, the special operating forces.

Q Upon the resignation of Mr. Koch?

A Upon the resignation of Mr. Koch. And I brought on a fellow by the name of Mr. Larry Ropka. Larry had reviewed the Special Policy Advisory Group, had noted that Dick had not participated, and further, for some time further noted that Dick had not turned in his proper forms, and, as I remember, Larry said we ought to drop him, and I said that's a good idea. I don't think he was ever paid for anything he did for us.

Q So he was in essence terminated or allowed, his membership allowed to lapse or whatever for failure to fill out a financial disclosure form?

A Well, I think that was what allowed it to happen. I think that Larry was recommending that Dick was just too busy to participate. If we're going to have the Policy Advisory Group, we've got to get guys who can participate. So it was a little of both. We needed a guy who could be there, and I think that his not filling in the financial forms made it easy to drop a friend, if you know what I mean.

Q Did you ever talk with General Secord about this issue?

A I don't recall ever having talked to him.

Q Let me have you mark this as the next deposition exhibit, Exhibit 7.

(The document referred to was marked Armitage Exhibit Number 7 for identification.)

Mr. Secretary, these are some questions and answers that Secretary Weinberger provided to the House Permanent Select Committee on Intelligence last December, and you don't have the full text of all of it, but the relevant portions you do have, and that is on page one, question four had asked about any consulting contract General Secord had with the Department and basically he said what you just told us.

Then, if you look on the next page, about a third of the way down the page there is a sentence that Secretary Weinberger provides his term on the SOPAG expired effect 4 August 1986.

In question five, was General Secord dropped from one of our committees for failing to execute a financial statements, it states "Major General Secord served on the Special Operations Policy Advisory Group, SOPAG, from January 1984 to August 1986, although he last participated in November 1985. Major General Secord's membership on the SOPAG was terminated effective 4 August 1986 based upon his failure to provide the Department with financial information as required in Form SF-1555. Amplifying information is enclosed in Tab C."

If you look toward the back, you will find Tab C is on numbered page D-101, and simply contains a chart showing the dates of service by General Secord as a consultant. Is this essentially consistent with what you recall?

A I believe I provided this to you. Yes, this is basically it.

Q While we are looking at this document, let me ask you an unrelated question, unrelated to General Secord, simply because it is here in front of us. If you look at Question 6, which at the bottom of page two, it says: "Have any FMS" -- and that's foreign military sales -- "or other arms sales by the Department been made to any agents or middlemen, as opposed to directly to a recipient country?" And the answer Secretary Weinberger provided was: "No FMS or other arms sales to foreign countries have been made by the Department through a private agency or middle man. There is no legal authority to sell under the Arms Export Control Act to other than an eligible foreign country."

Would you agree with that statement?

A I would guess it was the case. It was provided by the Defense Security Assistance Agency, not me, but that would be my journeyman understanding.

Q And would it have been your understanding in late '85 or early '86 that Iran was ineligible as a foreign country to receive FMS sales?

A My understanding was it was because we had an arms embargo on it, sure. We had no relationships with

Iran and we have no embassy. We had no way to monitor usage. So as a journeyman that's what I would have said, that we couldn't sell.

Q I realize that's a bit out of sequence, but it was there in the same document.

BY MR. SABA: (Resuming)

Q With respect to General Secord's role as a consultant to SOPAG what were the functions of SOPAG at this time?

A The functions were we had been trying for some time to rejuvenate, reenergize our special operations policy and we thought that it would be wise to get some of the old bulls, if you will, of the special operations business together to see what their ideas were, and these fellows met from time to time and gave their ideas to the Department.

And Dick Secord is known as having a background in special ops. As you'll see from the other listed members, these guys are all very deeply involved in special operations and dedicated to it, and they were to advise the Secretary of Defense on the development of special operating policy and how do we apply special operations.

You look quizzical and that's why I'm going on to explain [illegible] operating expertise to

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low intensity conflict and things of that nature.

BY MR. SAXON: (Resuming)

Q In terms of our special operations policy, what do you know or understand to have been the reasons why Mr. Koch resigned and left the Pentagon?

A I think that he was upset because the Secretary of Defense had made the decision to place special operating forces, which were one of Noel Koch's purviews, under me. It's a very difficult arrangement to explain. Previously Noel Koch was the Principal Deputy Assistant Secretary of Defense for International Security Affairs, and in that hat was my deputy. But for special operating forces and counterterrorism he was not my deputy. He reported directly through Ikle to Secretary Weinberger.

Secretary Weinberger -- and I really have to ask him his reasons, but he decided he wanted to tidy up this operation and consequently decided that for SOF Noel Koch would remain as the Principal Deputy, but that too would come under ISA, and I think this was a great disappointment to Noel and he decided to take a walk. He never said that in as many words to me, but I feel that's the reason.

Q Before we go into a different subject, Mr. Albright has a follow-up question on one of your

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conversations with Colonel North.

MR. ALBRIGHT: Just one about Colonel North. You said that people began to inquire at some point about his legal health, if you would.

THE WITNESS: Yes, in the RIG, because of the press stories.

MR. ALBRIGHT: Was there any discussion within the RIG or with anyone about any personal financial stake he may have had in any of this?

THE WITNESS: I want to make sure I understand you. I think the answer is no. Do you mean that he might have been involved in donating money or getting money? No.

MR. ALBRIGHT: Or receiving money in any way?

THE WITNESS: No.

MR. ALBRIGHT: In any personal financial setting?

THE WITNESS: Not that I remember.

MR. ALBRIGHT: Have you had any discussion with anyone or has anyone had any discussion with you about that?

THE WITNESS: No. I must say that even in the wake of events from November until now, continuously through the Administration, guys with whom I talk constantly say well, whatever Ollie might have done, he

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is personally honest. I mean, this is a steady theme.

MR. ALBRIGHT: Thank you. That is all I have.

BY MR. SABA: (Resuming)

Q I have just one or two questions. Mr. Secretary, I take it you were generally familiar with the Peace Shield Program.

A Yes, which one?

Q This is the C3 program for Saudi Arabia, the follow-up to AWACS.

A Yes, I am.

Q Did you understand that in 1984-85 General Secord was a consultant either directly to Boeing or to Boeing's agent, the Mafouz family in Saudi Arabia?

A I did not know this.

Q Did you have any awareness of his business relationships with the Alamoody family which obtained a construction contract for that?

A The only thing I was aware that he was working in the Middle East was a construction contract, I believe for UAE, the United Arab Emirates, and it had to do, if I remember correctly, with aircraft shelters, and he was engaged in bidding with some other country in Europe, and I think he was unsuccessful. And that's the only business that I knew Dick had.

Q Were you aware of any communications he would have had then with Ambassador Bandar Bin-Sultan on Peace Shield in '84-'85?

A No, I'm not.

MR. KREUZER: Mr. Secretary, would you tell us what your personal relationship is with Mr. Koch? Did you have a personal and professional relationship or just professional?

THE WITNESS: I consider myself a very good friend of his. I still consider myself a friend of his. I think he does not consider himself a friend of mine any longer.

MR. KREUZER: Can you clarify why you think Mr. Koch would have resigned if you were to be taking over?

THE WITNESS: I think he saw that as somewhat of an affront to his authority. There had been a lot of trouble in the Department, particularly public criticism of various members of the Joint Chiefs of Staff of various Departments -- Army, the Department of the Air Force -- of a lack of dedication to the SOF arena.

Secretary Weinberger had expressed to me in the past a question in his mind as to what did Noel want. Why did he feel it necessary to go public and blast these guys? Why couldn't we work these issues out in-house? He had had some meetings with [illegible] where at least the

Secretary claimed I don't really understand what he wants other than to bang away at the services.

So I think that's why the Secretary, I think he got tired of this. I mean, frankly, I was all for it, moving it under me. I'm a bureaucrat. When the Secretary said what do you think, I said I thought it was the best idea I've heard -- brilliant. But that's my bureaucratic, in a sense, talking. I think Noel found that as an affront to his own leadership.

My own view was this was going to allow his leadership and my ability to get things done in the building to bring home a success. Noel did not view it in that way, I think.

MR. KREUZER: That would have brought him under your -- you would become his direct supervisor.

THE WITNESS: I was in one-half of his job already.

MR. KREUZER: But in his part now, where he was reporting to Dr. Ikle, he would be reporting to you.

THE WITNESS: That's right -- through me to Ikle.

MR. KREUZER: So in addition to himself would he be bringing anything else in from Dr. Ikle's organization with him?

THE WITNESS: Well, he would be bringing the special plans group, the special operating force boys who worked for Noel. They would come with him.

MR. KREUZER: And no other assets than that?

THE WITNESS: I don't think he had any other assets. The other assets belonged to me, if you will, bureaucratically, anyway.

BY MR. SABA: (Resuming)

Q Mr. Secretary, I'm sorry. I just have another question on this Peace Shield. Are you aware of any amendment to the Letter of Agreement between the United States and Saudi Arabia on that program providing for a sole source procurement for the contractor to build the facilities in Arabia?

A This is something you must ask Lieutenant General Phil Gast about that. The reason I say that is because I can remember discussions with Phil on Peace Shield. This belongs to him as far as the administration of contracts and all that. I'm the policy guy. I decide whether I think this is a good idea to have Peace Shield in Saudi Arabia or not, but he's required to run this by us. I don't remember per se, but I remember discussions on Peace Shield, Peace Vector, a whole bunch of these Peace series things.

Q But it's my understanding that it would be Lieutenant General Gast who would have arranged, if there was such an amendment, it would be his position to have approved it.

A He would know about it. He'd understand it.

BY MR. SAXON: (Resuming)

Q I mentioned earlier Richard Gadd. Do you know Mr. Gadd?

A I had met Mr. Gadd, I believe, once when I gave a speech down in Ft. Walton Beach, Florida, in 1983.

Q And that was the only time?

A To the best of my recollection. I may have seen him in the corridor from time to time, but at most I might have seen him twice.

Q Have you ever had any dealings with him of any sort?

A Other than that night at Walton Beach, we went out and had a few beers and that was it.

Q Do you have any knowledge of any of the companies he has been involved with, specifically Summit Aviation. Have you had any dealings with Summit?

A Not that I remember. But I read about his involvement with the different companies since this thing went public.

Q Sumerco?

A I don't know what that is.

Q Airmoc?

A No.

Q Shenandoah?

A These things might be somewhat familiar. Maybe I've read about them, but I don't know about them.

Q Do you have any knowledge of any intention to, efforts to or actual success at diverting any arms that were intended for [redacted] to the contras?

A I do not.

Q Let me ask you about something which is known as [redacted] Do you recall that?

A Very well.

Q Okay. What can you tell us about that operation?

A [redacted] was something I inherited when I came to be Assistant Secretary of Defense for International Security Affairs. I know that we have provided you such documentation as we had, to include what I believe to be the original document requesting [redacted] and that was a letter from Mr. Casey to Mr. Weinberger which basically requests DOD to facilitate [redacted]

Q

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[redacted]

Q I want to ask you a few questions about the activities of Colonel Jim Steele as head of the U.S. Mil Group in El Salvador. First, do you know Colonel Steele?

A I have met him.

Q What was the nature of any relationship you've had with him?

A I can remember meeting him when he -- I think it was him -- brought General Vides Casanova to the United States and General Vides was the Minister of Defense of El Salvador.

Q So we can understand it, what is the reporting or oversight or supervisory authority that you might have, if at all, over any of the mil groups.

A I have none over Colonel Steele. He works for

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DIA. What is he? Is he a mil group commander? He worked for the JCS. Now I did get involved in that. I set the policies. My office sets the policies in El Salvador regarding whether or not a guy can carry weapons -- those kind of things.

Q And what about in the security assistance arena?

A Phil Gast would have the day-to-day cognizance. I just have -- to be simple, I decide what we're going to sell in general terms and notify the Hill and set the parameters of the program -- how much money and all that -- and Phil Gast and DSAA runs the program.

Q And is DSAA part of your bailiwick, under you?

A Well, only for policy. Colonel Steele would report not only to the JCS but also to General Gast, and would take his instruction, day-to-day, on running programs from DSAA, not from policy.

MR. KREUZER: Mr. Secretary, getting back to what we were discussing a little bit earlier --

MR. SAXON: Does this relate to Colonel Steele, because I want to follow up on that.

MR. KREUZER: Okay. I will wait.

BY MR. SAXON: (Resuming)

Q Let me have this marked as the next deposition exhibit.

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(The document referred to was marked Armitage Exhibit Number 8 for identification.)

And I will give you a chance to look at it.

(Pause.)

A I have looked at it.

Q First of all, let me ask you whether you have seen any of these documents prior to today, sir.

A No, I have not.

Q Okay. The first is on U.S. Mil Group, El Salvador letterhead and is dated 1 February '85. The subject is Felix Rodriguez. It's through the Deputy Chief of Mission and to Ambassador Pickering, and it's from Colonel Steele. And for the record he has verified that that is his signature.

It says: "Per your guidance, attached is a draft back channel to General Gorman on our 'no pay' mercenary." Let me ask first of all do you have any familiarity with Felix Rodriguez?

A No, I don't, but this is not the attachment I have.

Q I understand that.

A No, I do not.

Q Do you know who Felix Rodriguez is?

A From the news accounts, yes.

Q Do you know him by the name Max Gomez?

A No, other than by the news accounts.

Q The next item in this exhibit is a confidential cable that is from General Gorman for Ambassador Pickering and Colonel Steele. Again, the subject is Felix Rodriguez. It says: "I have just met here with Felix Rodriguez." The next paragraph: "Rodriguez's primary commitment to the region is in [redacted] where he wants to assist the FDN. I told him that the FDN deserved his priority." Numbered paragraph 4: "My judgment is that his advice will reinforce ours and that we should put no obstacles in his way to consulting with Blandon or Bustillo unless and until we get counterindications. I recommend that Jim Steele meet with him."

And then the next paragraph: "Assuming your approval" -- meaning Ambassador Pickering -- "I will send Rodriguez to [redacted]" Do you have any knowledge at all about the role General Gorman would have played, or Colonel Steele would have played in getting Mr. Rodriguez to El Salvador?

A None.

Q Let me ask you to look at the next item, which is the backchannel. These are out of sequence, but this is the backchannel message that Colonel Steele references on the first page It says: "Eyes only for Ambassador Motley. Mr. Johns ıe, and then Southcom for General Gorman." This is n Ambassador Pickering. If you go through the text, i lks about what the plan was in terms of using Mr. R guez in El Salvador. You get to paragraph number 3. ays: "Rodriguez will return in three or four weeks t k with Bustillo and Steele still will monitor clc "

Do you have nc ledge of any activities of Colonel Steele in monit Mr. Rodriguez?

A No, I do not.

Q When all of th t rs became public and some of the Mil Group comm ard other people came up to meet, I think, either wi and/or Mr. Sanchez --

A He did not meet w.

Q You did not meet w nel Steele?

A No.

Q You would have no in t knowledge of any of these, if in fact he was enga ny activities with Mr. Rodriguez or helping sup FDN?

A No, and Steele may have ck to meet with Nestor, but the only person I direc or to have of was our fellow in Costa Rica, when t arted to become public -- is anything going o ere. Nestor called him up and asked him are you i n anything of assistance the contras in any way. And he told Nestor no, or s stor reported to me. I do not know about Steele mee g with Nestor.

I do, ever, know that we as a Department tried to make Ste available at some time. I did not talk to him when h me through.

Q The last of this exhibit, paragraph 4, says: "For ARA, ple brief Don Gregg in VP's office for me." And this is n from Ambassador Pickering. Have you ever had any ssions with Mr. Gregg about Colonel Steele or cont any role that Felix Rodriguez might have ha upport of the FDN?

A I never did u on's name publicly became associated. I frankly ne Don Gregg involved in Central American things. im in the Middle East. I saw him in Asia. But I don mber him being a part of any of the discussions in cy.

Q Do you have any kn of the activities of the Mil Group people in [redacted] getting the [redacted] to be in issuing false end user certificates?

A I do not.

Q In 1985?

A I do not.

Q Let me ask you a couple tions about Mr.

Sanchez, Nestor Sanchez. Tell us what his position was and the approximate dates.

A Nestor was the Deputy Assistant Secretary of Defense for Inter-American Affairs from roughly late '81, maybe early '82, until December of 1986, when he retired.

Q And what was his reporting relationship?

A He reported through me, through Dr. Ikle, to the Secretary.

Q And I believe you told us earlier that he sat in on one or more of the RIGs.

A He sat in on the great majority of the RIGs and the IGs regarding Central America.

Q We have asked you this before, but for the record do you have any knowledge of any trip that Mr. Sanchez may have taken roughly in the late November 1985 time frame to Geneva, Switzerland?

A I do not have any knowledge.

Q And in fact you have asked him about that and he denies that he took such a trip; is that correct?

A He took a trip, which I was well aware of, to go to a conference in South America. I believe it was Argentina. But he told me that's the only travel he had, and I believe him.

Q What would have been the time frame on that trip?

A It was November, but I don't remember the dates.

Q And do you know the nature of the business on which he was traveling? Was it official?

A Yes, it was official. It was a conference, as I understand it.

Q Do you know who the sponsor of the conference was?

A I can find out, but I don't remember.

Q Let me ask you a couple of questions about the nature of our security assistance program. As you probably know from statements you made or that were attributed to you in last week's New York Times about U.S. security assistance --

A Elaine Sciolino's article.

Q And any linkage between it and U.S. contra support policy, let me have this article marked as Deposition Exhibit 9.

(The document referred to was marked Armitage Exhibit Number 9 for identification.)

I am referring to an article in the New York Times of Monday, May 18, written by Elaine Sciolino, with the heading "U.S. Said to Link Latin Aid to Support for Contras." Let me first ask you, Mr. Secretary, if the statements that are attributed to you in here are more or less correct.

A I believe there was only one.

Q It is in this first column.

A Yes, one statement.

Q As far as you know, is that more or less accurate?

A Yes. I'm sure it's an exact quotation.

Q I am really basically through with this article. I wanted there to be something in the record that would cover what I am getting at on this issue.

A I'd like to put something on the record.

Q In quicker time than we can, but I certainly plan to let you say whatever you want on this issue.

A Thank you.

Q But let me ask you a question or two. Tell us how we do use security assistance at all as a broad instrument of foreign policy and national security policy.

A First of all, we use security assistance as an ability or a measure to build a shield which we believe subsequently someday will keep us from having to devote U.S. forces to an area. We find it an aid to stability and security, number one. Number two, we also find that in the provision of security assistance we develop a

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certain amount of influence with countries which we believes helps the west in general and certainly helps ourselves.

Number three, and particularly in relations with host military we find that the identification with U.S. forces, primarily in the third world, goes a long way to fostering what we want in terms of professionalism vice what is very often the case. We find a very political military who is bent on fostering their own personal power rather than the national power. So we find security assistance a very helpful tool.

Q To your knowledge, have we ever linked or coupled the provision of security assistance in Central America or, for that matter, with any recipient country to the issue of whether that recipient country has aided the contras?

A No. I don't. And, if I may, I did have this conversation with this reporter, who is an excellent reporter. My statement or her story quoting me was not in the Latin American context. It was security assistance in general. I made the point that obviously we don't give security assistance because we're just good guys. It's in our interest. We don't do it because people just need guns -- or economic assistance, for that matter.

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We do it because it's in our interest, and by making people more stable, that's in our interest. And she said do you get any influence? I said, you're exactly right. Now when I used the object of Pakistan, I said look at the case of Pakistan. We believe that the provision of our security assistance in a large way and in a great way retards the development of the Pakistani nuclear program, which we find in everybody's best interests.

So is there a linkage between the nuclear program? You bet, and it's fostered by the Hill.

Q Let me ask you more in the Central American context. Is there a linkage with regard to the decision announced recently for us to provide fighter planes to the Hondurans?

A Not to my knowledge. The Hondurans have been after us for some time for this. We have been unable to be successful in figuring out a replacement for the Super Mysteres. We made the F-5 decision.

Q By whom was that decision made?

A It was an interagency one. No one person made it. It had been discussed for months and months and months.

Q Between State, Defense and --

A State, Defense and NSC, the CIA; military balance in the region was part of the decision.

Q When Secretary Abrams [redacted] [redacted] and a couple of other individuals -- I believe Ray Burghardt in the NSC -- traveled to Central America in late November or early December of 1986 after these matters became public, they were there on a mission to sell the Administration's Central America policy, and in the course of doing that were informed that [redacted] [redacted] would be receptive, but they wanted something in return.

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Q Let me show you an additional deposition exhibit, and ask that this be marked.

(The document referred to was marked Armitage Exhibit Number 10 for identification.)

(Pause.)

A I didn't go on this trip.

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Q You did not go?

A I did not go, to the best of my knowledge. I will check that, but I'm quite sure I did not go.

Q Let me give some lead-in, then, for the record. The documents I have asked you to look at as Deposition Exhibit 10, the cover is a National Security Council memorandum from Oliver North to John Poindexter and the subject was trip to the Central American region. And then it lists a proposed itinerary. At page N-39901 it lists the participants and Mr. Richard Armitage is listed as a proposed participant.

A Right.

Q And then further the trip is explained. You are saying to the best of your recollection --

A I did not go on this.

Q Okay. Then let me show you Deposition Exhibit 11, the trip manifest from the NSC file.

(The document referred to was marked Armitage Exhibit Number 11 for identification.)

A I sure don't remember going. I don't think I went on this trip, but it's easy to find out.

Q Okay. For those of us who are uninitiated in these things, the trip itinerary, as I understand it, the manifest with the boxes checked indicating the

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individuals who did go on the trip and those portions of the trip they took.

A Yes, but, you know, I just can't remember this trip with John Poindexter. I just don't remember it. I don't think I went, but I better check my file.

Q Okay, if you would, sir, do check because the NSC records indicate that you did go on the trip.

A Eleven to 12 December '85. Okay. I'll have to check. I went to Central America in '83 with the Secretary of Defense. I went to Brazil in '83. The only other time I remember being down there was with [redacted] Elliott, Moellering and myself in September-October, so I'll just check it -- of '86.

Q Yes, if you would, because this memorandum of record of the trip itinerary says, and I quote, "the following individuals were manifested aboard the following aircraft," and then it lists the aircraft and the dates.

A By the way, I think the word "manifested" is different from "had gone", but it's easy enough.

Q For the record, let me indicate what this trip was to consist of as far as Colonel North saw it and posted. If you would look at page N-31907, under the heading "Current Situation, Objectives for Honduras", this was to be a trip to Honduras by Admiral Poindexter on the occasion of his being the new National Security Advisor under the guise of going to meet the U.S. Army military officials.

[redacted]

In terms of the facts or the statements that are made here, does any of this -- is any of this something you are familiar with?

A No.

Q I would ask, then, that you check if you took that trip.

A I will check when I get back.

Q Now let me show you and have this marked as Deposition Exhibit 12 a series of PROF memos from Colonel North. They have different addressees.

(The document referred to was marked Armitage Exhibit Number 12 for identification.)

I will give you a moment to look, if you would, at the one on the bottom of the first page, and this is a note from Oliver North, Subject: Private Blank Check.

(Pause.)

A All right.

Q As I read this PROF memo, and it pertains, by the way --

A What's the date on this thing, by the way? Do we know?

Q Yes. It's right at the bottom. If you flip over before the next PROF memo you will see.

A 8/31?

Q Well, no.

A 12/04 -- December 4, 1985.

Q It was the week prior to this trip that we were just talking about. And it pertains to that same trip. As I read this, Colonel North is suggesting that you have indicated that you would be willing to go to

Honduras and Panama in the event that Admiral Poindexter couldn't make the trip. Do you recall any discussion with Colonel North about that?

A No. I recall roughly the trip and I recall not going on it. But this -- I don't take exception to what he says in here, frankly.

Q You agree, then, with this statement that you agree with Ray -- I assume that's Burghardt -- Don -- I assume that Don F. is Fortier -- Walker -- I guess that's Bob Walker -- and I, Colonel North, that White House visibility is essential to the mission.

Do you recall what mission they were talking about?

A I recall very roughly that the mission was to show the Hondurans that we were steadfast in our policy, and that's the context in which it says White House vis is more important. I can go down there anytime, but, as I say, I'm quite sure I didn't go.

Q Let me ask you to flip over to what is numbered as page 27 in the PROFs. You will see in the middle of that page a little chart of sorts. This is again in a PROF memo from Colonel North to Admiral Poindexter. Let me just ask you if before today you've ever seen these equations of how many hostages equate to how many weapons.

A I believe I've seen references in the press only. I don't think I had a direct chart or anything.

Q Now let me ask you to turn to the next page. This is the same PROF.

A Twenty-eight?

Q Yes. Colonel North was apparently quite productive when he sat at the computer.

A I'm glad I never learned to type.

Q And this is page 28, page 028.

A I've got it.

Q If you will read that first full paragraph at the top --

(Pause.)

A Okay. I've read it.

Q Where he says: "The last op sec concerned that of replenishing Israeli stocks is the most delicate. Meron and I" -- and I guess that would be General Meron.

A Mindy Meron, I'm sure.

Q "Are working with the Israeli purchasing office in New York City". Is that when Ben Joseph works?

A That's right.

Q "On the replenishment issue, to be accomplished as quickly after December 12 as possible." As far as you're concerned, you knew nothing about this issue?

A As far as I remember, I did not.

Q Finally let me ask you to flip over to page 30 in these PROFs.

A I've got it.

Q This is also to -- I believe this is to Admiral Poindexter from Colonel North.

A All right.

Q Subject: Private Blank Check again. He is proposing to Admiral Poindexter -- this is again in relation to this upcoming trip - he says: "In each location you would meet with the U.S. Ambassador and be accompanied by General Jack Galvin, the senior U.S. military representative. This approach will provide a plausible cover for delivery of the messages we need sent to [redacted] both of whom will want to congratulate you on your post."

Now in terms of your recollection of that trip, whether you did or didn't take it, tell me in your best recollection what the purpose of that trip was to be.

A I must state again I'm quite sure I didn't take it, and it was just that. The new National Security Advisor was coming on and that we wanted to show steadfastness with our policy in the region.

Q And as far as you can recall there was no

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intent that that be cover and that the real purpose was for --

A As far as I can recall, that was the only reason for the trip.

Q Okay. I only have a couple more.

A I owe you after putting you off twice.

Q Let me get the last exhibit out of the way. Let me have you mark this as 13. I know 13 is an unlucky number, but we'll just have to end on that one.

(The document referred to was marked Armitage Exhibit Number 13 for identification.)

This is a PROF memo from Bob Pearson, subject, Meeting on Contra Aid. I will let you read that.

A All right. What's the date? 1/24/86.

Q Yes.

(Pause.)

A All right.

Q And, if you would, look at the bottom note from Donald Fortier.

A All right.

Q Is this the kind of session you made reference to earlier when you were talking about putting together the contra aid package to go to the Hill?

A Yes. I don't remember it, but that's exactly

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right.

Q As far as I know, you have not seen these communications?

A I have not seen these communications.

Q They are talking about you, but it's not necessarily that you were involved. As best you know, do you recall this event they are talking about?

A No, but me -- registering a protest for me not being invited to a meeting is a normal bureaucratic business. All of us do it from time to time. I can't quarrel with this at all.

Q But your recollection would be that that would have dealt with the legislative package?

A How we're going to approach the Hill and all. Absolutely right.

Q Finally, I want to ask you about a couple of individuals and just see if you can tell us what your relationship is, if any, with these people. First, do you know Ted Shackley?

A Yes, I do.

Q What's the nature of that relationship?

A I met him once in 1975. I had returned after the fall of Saigon and my boss, Eric von Marbad, had sent me out to the CIA to talk with Ted Shackley about what had gone on in Vietnam, what I had seen -- I was there the final day -- what was going on with the refugees. That was my one and only meeting with the man, to my recollection, and the only communication I ever had with him.

Q So as far as you know you've never had any dealings with him?

A I would not recognize him, I don't think.

Q The same question with regard to Thomas Clines.

A I met Thomas Clines in I want to say 1982 or 1983. Dick Secord asked me to stop and have a drink with him and he introduced me to Tom Clines. I remember it very well because the two of them spent a good bit of the evening in a very congenial way talking about their time together at the Naval War College. It was extraordinarily entertaining. I remember it quite well.

Q Since that time have you had any dealing with him?

A Never seen him or talked to him, to the best of my knowledge

Q Finally, Mike Ledeen. Tell us about your relationship with him.

A I have met Michael through originally the bureaucracy. Later he used to work in the State Department and I'd come upon him from time to time.

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Later he became a consultant to Noel Koch in Noel's SOFCT role. When Noel left I inherited Michael. I did not use him in that I didn't use him for any money. He came -- didn't pay him any money and didn't ask him to do anything for me.

He would call from time to time and just say hey, this event, some terrorist event in Pakistan and so and so was a bad deal, are you guys thinking of all these angles, something like that. But he came in to see me I want to say September, and it could have been October, but it was late in '86, and he told me of his involvement in the Iranian affair, and he told me that he thought the affair, which had in his mind or as he sketched it out, started as a strategic opening had turned into nothing but an arms for hostages deal, and that he thought this was terribly wrongheaded, and that the policy was on its head.

I was very interested to find someone who had been at the beginning. I was unaware that Mike was at the beginning of this adventure with Iran. I checked to see if the Secretary's calendar was clear and took Michael down, where Michael basically repeated the same story for the Secretary of Defense, and the three of us sat around and talked about it was terrible to have our policy on its head.

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Q Did he tell you in terms of his role that he had been involved in negotiating the price with the Israelis for the TOW missiles?

A No, he didn't.

Q Did he tell you that he had been taken off of this project because he negotiated the price too low or in some way Colonel North was dissatisfied with his participation?

A No. He told me he was asked out of it, but he didn't tell me why. I don't remember that he told me why.

Q Did you ever ask Colonel North about Mike Ledeen's role in the Iran part of things?

A I don't recall asking him.

Q Did Colonel North ever tell you -- did Colonel North ever discuss Mike Ledeen in the context of the Iran arms initiative?

A I can't recall that he did.

Q Did he ever tell you he, North, thought Ledeen was skimming money from the operation?

A He never told me that. That I would have remembered.

Q Did Colonel North ever tell you that with regard to Al Schwimmer?

A I had never heard of Al Schwimmer and don't recollect Ollie ever saying the name.

Q Did Ledeen ever mention Schwimmer's name in this context?

A I think Ledeen mentioned Schwimmer in passing when he was talking about his own involvement the day he came in to tell me how the policy was on its head, but not in any way that meant anything to me or that rang any bells.

Q Did Ledeen mention Ben Joseph?

A No, he did not, to my recollection.

Q And, finally, did Ledeen mention Noel Koch in the context of his, Ledeen's --

A No, I don't think he did. I think Michael would have mentioned that, because Noel had left the Department by then, but I don't recall it. I mean, if he had mentioned it, he would have made a big thing about it.

Q And finally for the record, a different subject I just forgot to ask. When were you first made aware that any monies may have been diverted from the arms sales to Iran to the contras?

A If you don't count the conversation I had with Ollie, when the Attorney General said something.

Q And that's the conversation --

A The conversation on the black phone where he said they're helping us in Central America.

MR. SAXON: That's all I've got.

BY MR. SABA: (Resuming)

Q I have a few more on the Ledeen matter. Do you recall exactly when that meeting took place?

A I will try to reconstruct it. It's September-October, to my remembrance.

Q Of '86?

A Of '86, right.

Q Was it your understanding that Mr. Ledeen had not previously spoken to Mr. Weinberger on this subject?

A I don't think he had, because nothing of the conversation with the Secretary indicated that he had. He went right through the recitation again in very quick fashion with the Secretary and never indicated that he spoke with the Secretary previously.

Q Do you recall Mr. Ledeen's recitation?

A In general terms, yes.

Q And in revealing his role in the matter there was nothing discussed concerning price; correct?

A To the best of my recollection, his thrust to me and again to the Secretary was in here is something that's good for the country, a strategic opening to Iran, and yet we've become hostage to hostages. That's terrible. The policy's upside-down. And that's what I remember most keenly about Michael's discussion.

Q Did he mention anything about HAWKs?

A I can't remember him mentioning anything other than weapons for hostages per se, weapons in general.

Q I'm trying to understand what Ledeen was getting at, what the purpose of this was.

A When he came in to me it was to sound off on what a terrible thing this was, and that's exactly what he told me.

Q What specifically did he find to be terrible?

A Arms for hostages rather than a strategic opening to Iran.

Q Did he have any proposals for a different course of action?

A Not that I recall.

Q Did he propose anything?

A He did state that previously he had talked about supporting one small element in Iran who wanted a small supply of either communications gear and things of that nature and they would be more or less our guys inside, but he made a big distinction between that and the provision of weapons to Iran.

Q Could these have been HAWK radars?

A No. The implication clearly was like radios, small items, just to prove the bona fides of this group.

Q Were these objects to be sold by Israel?

A No. That wasn't even discussed. It was the provision of those items. The manner of providing them was not discussed. And this was just in passing in Michael's discussion with us. As I say, his primary thrust was we are being hostage to the hostages by selling weapons to Iran. We should be developing a strategic dialogue and we're squandering that. That was his thrust with us.

Q Did he mention by name any particular factions in Iran?

A He may have. I can't remember.

Q Did he propose that a continued dialogue be direct or through Israel?

A He didn't propose to me. He indicated that it was Israel who originally set him up in the discussions in Iran in some manner, either introduced him to Iranian people or got him out on the track to start talking about a strategic dialogue. But that's it.

BY MR. SAXON: (Resuming)

Q Let me ask one follow-up to that. To your knowledge, did anything in his background prepare him to make judgments about the prices that should be charged for TOW missiles?

A No.

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BY MR. SABA: (Resuming)

Q On a different subject, I want to understand something. Eric von Marbad you mentioned was your boss.

A That's right.

Q Referring to what period?

A He was my boss from roughly April 24, 1975, until mid-1976 intermittently because I didn't get paid when I didn't work and I was paid when I worked, and I was back and forth. I had a home in San Diego. I didn't stay out of the country.

Q So you were a consultant in that time?

A Yes, I was a consultant to the Pentagon, and I got paid when I worked and I worked for Eric von Marbad.

BY MR. SAXON: (Resuming)

Q What was his position then?

A He at the time was the Principal Deputy Assistant Secretary of Defense, Comptroller, until summer of '75, at which time he took the job in Iran as the Defense Representative and I went over there and handled primarily naval programs for him.

BY MR. SABA: (Resuming)

Q Let me understand. You handled naval programs for Mr. von Marbad?

A That's correct. I can remember two specifically -- the Charbahar base development and the

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993 destroyer program.

Q Did you become aware at that time or later of programming in which the Portuguese would be involved in rehabilitation of the Iranian navy?

A I don't know anything about it.

Q Did you have any further business with Mr. von Marbad following his departure from U. S. Government service?

A No. He was the Director of the Defense Security Assistance Agency and he left and I've sent him Christmas cards each Christmas. I generally get a card from Eric and Lola back, and that's it. I may have had one conversation with him, but he doesn't want to see anybody in the building.

BY MR. SAXON: (Resuming)

Q Did you have any involvement with the IBEX project?

A I did not. I am familiar with it because press inquiries have driven me to find out what it was, but I did not.

BY MR. SABA: (Resuming)

Q Do you have any acquaintance with Mr. Willard Zucker?

A I do not know him by that name or probably any other.

Q Do you know of a company called Companie Service Fiduciare, a Swiss Company?

A No. I've seen that in the press, but I don't know it.

MR. SABA: I don't have anything further.

MR. KREUZER: Mr. Secretary, does Mr. Ledeen, is he still associated with the Department of Defense in any capacity?

THE WITNESS: No. I terminated his consultancy. I want to stress that we didn't pay him to do anything that I am aware of. Roughly in January, when I saw his name become very prominent in this whole affair, I didn't feel the Department needed it and I terminated his consultancy.

MR. KREUZER: Would you say your association with him was strictly business, professional or was it a personal association?

THE WITNESS: No, it was business. On two or three occasions he asked me to come out with my children and meet his wife and so on, and I refused to do so.

MR. KREUZER: Do you know Mr. Richard Gadd?

THE WITNESS: Yes, I met him on at least one occasion, possibly twice.

MR. KREUZER: So that is the extent of that?

THE WITNESS: No personal association at all with him.

MR. KREUZER: One final question. We were talking earlier about the transfer of responsibility, the possible transfer of responsibility to you for special plans that are under Dr. Ikle. Is the special --

THE WITNESS: No. Let me be clear. When Noel Koch had his duties brought under me -- that is, the SOF and counterterrorism duties -- you asked did he bring any assets with him, and he did. He brought with him a small cell we call special plans, SP. Special Plans is the SOF cell -- four or five guys. But they were always under Noel and they are not part of Craig Alderman's shop -- just to be clear.

MR. KREUZER: The organization that I am interested in is the Defense Security Assistance Agency. Does that come under Dr. Ikle?

THE WITNESS: Yes, it does.

MR. KREUZER: Would it in this changeover still come under him?

THE WITNESS: It has no bearing at all. This changeover affected DSAA not a whit.

MR. KREUZER: So DSAA is still under Dr. Ikle?

THE WITNESS: Would it help if I drew a diagram to explain it just so you see the charts?

MR. SAXON: Sure.

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(Pause.)

THE WITNESS: You have Ikle and then you have ASD/ISA, and ASD/ISP as the two Assistant Secretaries.

BY MR. SAXON: (Resuming)

Q ISP is International Security Policy with Mr. Perle previously?

A Right, Mr. Perle previously. Over here you've got DSAA, but in their duties both Mr. Perle and myself have a policy voice in DSAA. We don't have a program voice. I don't tell General Gast how to run a program, how to administer a program. I tell him what the size of the program is going to be. I tell him sometimes when we want to make a point, can't we speed up the delivery of an item to the [redacted] and push someone else back in the queue, if there is a policy reason -- that kind of thing.

We oversee in terms of policy any international agreements that DSAA gets into, but program implementation is all under General Gast, but all of it is under Ikle.

Q And General Gast would report directly to Dr. Ikle?

A He would.

MR. SABA: (Resuming)

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BY MR. SAXON: (Resuming)

Q Let me ask you about a topic that we've overlooked, and that is any knowledge you had prior to these matters becoming public that [redacted] government was aiding the contras.

A I had none.

Q You had none?

A I had none.

Q You knew nothing about the payments of $1 million a month?

A I knew nothing.

Q And then it doubled into $2 million a month.

A I'm not sure that's the fact today.

MR. SAXON: Off the record.

(A discussion was held off the record.)

MR. SAXON: On the record.

THE WITNESS: I will provide, if it meets your pleasure, a wiring diagram of the reporting responsibilities in the policy cluster.

MR. SAXON: Would you address the issue we discussed of DSAA and Dr. Ikle?

THE WITNESS: DSAA's relationship with the Under Secretary of Defense for Policy and the relationship with the two Assistant Secretaries in the policy cluster.

MR. SAXON: Let me just say, Mr. Secretary, that we appreciate your being with us this afternoon. We are sorry we have taken so much of your time, but we thank you.

THE WITNESS: And I apologize to you for rescheduling several times.

MR. SAXON: On behalf of the Committees, thank you very much.

(Whereupon, at 4:10 p.m., the taking of the instant deposition ceased.)

____

Signature of the Witness

Subscribed and sworn to before me this _________ day of

_________________________, 1987.

____

Notary Public

My commission expires: ______________________________

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CERTIFICATE OF NOTARY PUBLIC

I, ANNE PELLECCHIA HOROWITZ, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony was taken by me by Stenomask and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and further, that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Notary Public in and for the
State of Maryland.

My Commission expires July 1, [illegible].

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HSITS- [illegible]/87
/33

Stenographic Transcript of

HEARINGS

COPY NO. 1 OF 2 COPIES

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

CONTINUED DEPOSITION OF RICHARD L. ARMITAGE

Wednesday, July 22, 1987

4204

Washington, D.C.

UNCLASSIFIED

TOP SECRET/CODEWORD

ALDERSON REPORTING

Partially Declassified/Released on JAN 12 1988
under provisions of E.O. 12356
by D. Sirko, National Security Council

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CONTINUED DEPOSITION OF RICHARD L. ARMITAGE

Wednesday, July 22, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Continued deposition of RICHARD L. ARMITAGE, called as a witness by counsel for the Select Committee, at the offices of the Witness, The Pentagon, Washington, D. C., commencing at 4:05 p.m., the witness having been previously duly sworn by ANNE P. HOROWITZ, a Notary Public in and for the State of Maryland, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

JOHN SAXON, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

JOSEPH SABA, ESQ.
ROGER KREUZER
ROBERT GENZMAN
RICHARD CLARK

On behalf of the Department of Defense:

ED SHAPIRO, ESQ.
Office of General Counsel
LINCOLN BLOOMFIELD

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PROCEEDINGS

MR. SAXON: Let me say, Mr. Secretary, that this is a continuation of your deposition of May 26, 1987, that it is likewise classified at the Top Secret/Codeword level, and you remain under oath.

Mr. Saba will begin.

Whereupon,

RICHARD L. ARMITAGE,

called as a witness by counsel on behalf of the Senate Select Committee and having been previously duly sworn, was further examined and testified as follows:

EXAMINATION

BY MR. SABA:

Q Good afternoon, sir. Mr. Secretary, do you recall what you knew about the circumstances of the release of the Reverend Benjamin Weir?

A Can you refresh me when what was?

Q Yes. Benjamin Weir was released roughly September 1986, and I would add for refreshment purposes --

A '86?

Q I'm sorry, '85.

A It was Jacobson who was September or October of '86.

Q That's correct. And I would add that

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by D. Sirko, National Security Council

Ambassador Oakley, at that time the Department of State Director of the Office of Terrorism, was informed by and has provided us with information that he was informed by Oliver North shortly after the release with the information that the release was a result of an Israeli shipment of TOWs to Iran.

My question to you is whether you discussed that fact of the Israeli shipment of the TOWs with anyone, whether you knew about it.

A I don't remember discussing it. I don't remember knowing about it. I remember Weir coming out. I was not a member of the OSG at the time, but it could be that I was informed that it was an Israeli transfer that got him out. I just don't recall it.

Q Do you recall if Ambassador Oakley discussed the matter with you after the release?

A He could very well have. I just can't recall it. I can't remember having that much communication with Bob until more along the time that Noel Koch was about to leave or was thinking about leaving, and I got involved in the OSG. But it could very well be that I spoke with Oakley.

Q Would you have spoken with Arnie Raphel at the time?

A If I knew anything, I spoke to Arnie Raphel.

Q And would he have spoken to you?

A I would hope that he would have spoken to me.

Q Do you recall if you and he had a conversation on the matter?

A I don't, but I would have talked to Arnie if I knew anything.

Q Would it have been your business at that time to know whether or not Reverend Weir's release was in connection with the shipment of Israeli TOWs?

A I wouldn't say it would be my direct business, but, as you may have learned in your discussions, I am pretty nosy and frankly think I've learned the lesson in a bureaucracy that the more you know, the more you can put things together. So I'm pretty nosy. I don't think it was my business to know at the time, but I would have been sure curious and wanted to know and would have tried to find out. I don't remember attempting to do it at this time, but I would have tried.

Q Is it your testimony that you don't recall whether you knew at the time that his release was in connection with the Israeli shipment of TOWs?

A That is my testimony. I don't recall it. I could have been told this, but I don't recall being told it.

Q Focusing on the period of the fall of 1985, I want to ask you if you knew four people and, if you did, what your relationship with them was. The first one is Amiram Nir.

A I did not meet Mr. Nir, to my recollection, until later in the year. It was after I joined the operational subgroup and I met him at one time in Ollie North's office. I think I've also testified to the fact that I saw him coming out of Mike Armacost's office one day and accused him of dressing like Columbo, but I think those are the two occasions I have met with Mr. Nir.

Q When did you first meet him?

A This would have been mid to late '86.

Q '86?

A '86. That's when I remember meeting him. And I remember it because the primary discussions that I had in Ollie's presence with Nir concerned, I believe it was, a T-72 tank, the provision of a T-72 tank to the United States, were we interested. And I can remember several phone calls from Ollie about whether we should do this or not.

Q Did you meet him prior to February 1, '86?

A I could have. I don't remember it.

Q Mr. Schwimmer?

A I don't think I've ever met him. I wouldn't know if I fell over him.

Q Mr. Nimrodi?

A I don't think I've met him and I wouldn't know him if I fell over him.

Q Menachem Meron?

A I know him very well.

Q When did you meet him?

A I met him when he was the DAT here.

Q For the record, the DAT is?

A The Defense Attache from Israel. And that must have been early '83 because I began actively in this job roughly May or June of '83, but I was sitting in awaiting confirmation and doing all the things an Acting can do prior to that, so it would have been early '83.

Q I believe you've testified that in mid-November 1985 you were on a trip and, as I recall your testimony, you think you returned on or about the 23rd or the 24th of November.

A I should have been smarter when I saw you guys and prepared a little bit for this. Here's when I traveled, according to my records. I haven't memorized, so give it back to me and I'll let you have it for the record.

Q All right.

A The answer to your question was I was out of town from 15 to 23 November in Germany, Bahrain and

Pakistan, and I was out on the 28th of November, which was Thanksgiving.

MR. SAXON: Is this '85 or '86?

THE WITNESS: '85.

BY MR. SABA: (Resuming)

Q And what was the basis for your preparing that?

A Because you guys asked me questions about travel dates and I didn't have a damn idea in the world, and I was offended by it because I hadn't been told to prepare for this. So this time I'm not going to make the same mistake.

Q Did you prepare that document from your calendars and records?

A Calendars and my secretary's recollection.

Q So you returned, then, on November 23 from Pakistan.

A Yeah. I don't know what day of the week. That might have been a weekend or might not. I just don't remember when my schedule has me landing in Washington.

Q And on your return from that trip did you learn that Mr. Gaffney and Mr. Koch were providing information to Colin Powell and the Secretary of Defense concerning a proposal to send HAWK missiles to Iran?

A I don't think I knew Noel was -- now I know a lot more about Noel since I've seen his testimony or at least read the newspaper transcripts of it. I was traveling. I now have seen that I talked to Dr. Gaffney on the 6th of December, I believe in preparation to brief the Secretary for a 7 December meeting.

Q But I'm looking back a little bit before that.

A I can understand. I'm trying to work my way back. I'm trying to recollect it. I don't remember talking to Hank Gaffney before that. It seems to me, though, that we had seen in intelligence some references to HAWK missiles going to or coming back from Israel. I think I have testified to that.

And I think that's what I knew, but I don't remember. I just don't think Noel told me at the time anything about this. I don't think Hank would, as a matter of course.

Q You learned about the [redacted] When did you learn that?

A I'm not sure it was [redacted] It might have been an IR intelligence report. I can't say it was [redacted] at all, but it was an IR or something about an allegation or something of HAWK missiles going. I think it's either hearsay from my colleagues and I'm sure I talked to Arnie about this. Or it might have originated with me hearing it somewhere else, that there was a Star of David on these things and that they went from Israel to Iran and they were sent back.

But that's kind of my recollection.

Q Do you recall when you learned that intelligence?

A No, I'm sorry, I don't. It would have been prior to my lunch with Ollie North on 3 December. But I don't know when prior to that. My feeling is probably after I came back from this trip to Pakistan, but I can't say that with 100 percent assurance.

Q Your prior testimony was that the Secretary had received the intelligence information and requested you to find out what you could about it.

A Yeah, that's right. Either the Secretary himself or through Colin, but it was clear that it came from the Secretary -- Colin Powell.

Q Did you have access to the hard copy of the intelligence information?

A I seem to remember that I saw an IR, which is a message. It's not [redacted] I saw when the Secretary or when General Powell thought that it was interesting for me to see it. As you will remember, sometime we apparently felt we were cut off from [redacted] but, as it turned out, Art Moreau was not. He was the Assistant to the Chairman of the Joint Chiefs of Staff and he, I since found out, has been giving to Colin Powell or the Secretary interesting things that we weren't seeing in OSD.

Some of those I was allowed to see by General Powell. And this continued, I might add, somewhat during the year of '86.

Q Do you recall if the intelligence indicated how many weapons had gone?

A I do not.

Q Do you recall if it indicated how the weapons had gone?

A By aircraft. That's my recollection.

Q Do you recall specifically what the request was to you? That is, you were to verify the accuracy of this?

A No. It wasn't directly concerning the HAWK missiles. The request that was passed to me was to find out is someone talking to the Iranians. I mean, what do you know? Can you find out anything? Can you find out anything about it? That was basically the request. Are we dealing with the Iranians?

Q So there was information about shipments of HAWKs by Israel to Iran?

A I'm not sure that it said by Israel. I said I vaguely remember that they had a Star of David and all on it, but I can't remember if that came in the IR which I think I saw or not.

Q Who asked you to find out whether we were talking to --

A Either the Secretary or Colin, one or the other. Those would be the only two.

Q What did you understand to be the basis of the request?

A That they were interested. It appeared from [redacted] that there was somebody talking to the Iranians and they wanted to find out who the hell it was.

Q Was the substance of the [redacted] or the actual copy provided to you?

A Yes. In some cases it was, but it didn't mean much to me. I remember vaguely a [redacted] which seemed to be of some concern to the Secretary and/or Colin Powell.

MR. KREUZER: This information or this [redacted] was coming from Admiral Moreau to you?

THE WITNESS: I think it was not coming to me. It was going to Powell and the Secretary, and they would let me see these things. They didn't come up here to me.

I had to go down there when they called me down there.

MR. KREUZER: For some reason it wasn't coming in here.

THE WITNESS: Yes. Wait a minute. Let's be clear. It wasn't coming into the Office of the Secretary of Defense.

MR. KREUZER: It was going to the JCS?

THE WITNESS: The Assistant to the Chairman, yes.

MR. KREUZER: Admiral Moreau was getting the information and as he would get certain bits, interesting bits and pieces, [redacted] he would bring them up here and show them.

THE WITNESS: No.

MR. KREUZER: He would take them to Secretary Weinberger --

THE WITNESS: To General Powell.

MR. KREUZER: Show them to General Powell, who would show them to Secretary Weinberger?

THE WITNESS: I assume, yeah. I don't know that. But I don't know that he brought every piece up either. I saw what I saw.

MR. KREUZER: But this went on for a period of time?

THE WITNESS: Yes, it did.

MR. KREUZER: In '86. So like maybe it went on for 30 days?

THE WITNESS: Well, it was either '85 or '86; I can't remember.

MR. KREUZER: Could it have been '85 and '86?

THE WITNESS: It could have been for a little while, but I know once Powell determined and the Secretary determined that we were cut off. I think the Secretary took steps to put us back on. Now whether the Secretary called [redacted] or whether Colin Powell called [redacted] I can't say, but all of a sudden the Secretary of Defense was put back on the distribution.

MR. KREUZER: But was the Secretary of Defense aware that his was coming from Admiral Moreau?

THE WITNESS: You've got to ask him. I wasn't aware of this until later.

BY MR. SABA: (Resuming)

Q Do you recall when the Secretary spoke to you about this?

A I do not.

Q Could it have been Tuesday, November 26?

A I don't remember. It could have been.

Q I raise that date because you are on the Secretary's calendar that morning.

A Yeah. But I must say that I slip into the

Secretary an awful lot without being on his calendar. I wouldn't be surprised if that particular date had to do with the debrief of my trip, frankly. I don't think that this is something that he called me down and had me appear on the schedule for, but it could have been.

Q In connection --

A I very often, by the way, go in to see the Secretary either before a staff meeting, before everybody walks in, when everybody is gathered out in the anteroom, or late in the night.

Q In connection with the information, your understanding was that there had been information that certain Americans were in discussions with Iranians?

A More indications that certain official Americans were in discussions with the Iranians.

Q There was a reference to [redacted]

A That's my remembrance of what triggered me. You may have a different one.

Q And at the same time you had an intelligence report indicating that HAWK missiles bearing the Star of David had gone to Iran?

A I vaguely remember an IR talking about HAWK missile deliveries to Iran. The Star of David aspect of it is something that either I developed in talking with my friends or Arnie or somebody told me. I don't remember that, the Star of David being in the IR.

Q So the Secretary, this meeting was with the Secretary when he asked you to find out what was going on?

A It was either the Secretary or Colin Powell who said, is someone meeting with the Iranians. There is something going on; find out what you can.

Q Did that person tell you what he thought was going on?

A No, other than that it was clear there was a suspicion someone was meeting with the Iranians.

Q Was there a reference to the HAWK missiles?

A There could have been, but I don't remember it in the Secretary's comments at all, or Colin Powell's. I just don't remember that.

Q Was there a reference to information provided by Mr. McFarlane?

A Not to my remembrance. Listen, I've testified to you before that we had a real problem with Mr. McFarlane's NSC, not personally with him, but we found it difficult to deal with the McFarlane NSC. We found that we weren't getting what we felt was a sufficient flow of information and we found it much more collegial under Admiral Poindexter. We found that at least people listened to us.

So I don't believe that the McFarlane reference would have come up. From my point of view we didn't learn very much from them at all.

Q Mr. McFarlane has testified both privately and now in public that at the time of the HAWK shipment from Israel to Iran and at some time during the Geneva summit in fact he seems to recall that he told not only Secretary Shultz, of which we have written confirmation, but also Secretary Weinberger, about the fact of the shipment to Iran.

A I've seen that.

Q So obviously it seems logical to me that on your return from a trip following the day that McFarlane indicates he has provided the information that you would be requested by either the Secretary or possibly Colin Powell to get more information about it.

A I'd love to help you. I just can't say that he brought up HAWKs with me at all. I don't think he did.

Q Focusing on really the same time period that Ambassador Oakley or Mr. Raphel or both of them, or either of them, tell you about the weapons that went to Iran, if it helps you --

A I'm just going to try to give it to you. My remembrance is that we didn't know clearly that weapons went to Iran.

MR. SHAPIRO: Can counsel please let him finish?

THE WITNESS: Say what you will, please.

BY MR. SABA: (Resuming)

Q I wanted to try to help. We have testimony and interview information that North had told Oakley during the period sometime after the 17th of November but, say, before the 25th, had told Oakley what was going on because he needed help getting the landing permits in [redacted] and he told Oakley what was going on, and we know that Oakley provided information both up and down the ladder in the State Department on the matter.

And, of course, we know that in Geneva at that moment the matter had come to the attention of McFarlane and, in a casual way perhaps, to Secretary Shultz, but certainly by Monday, the 25th of November, which would have been your first workday back, Oakley and Raphel, according to McFarlane, the Secretary knew that Israeli HAWKs had gone and they had an idea that some people from the White House were talking to Iranians. That would have been your state of knowledge as a minimum?

A That's pretty close to my state of knowledge, except I can't say with assurance that they told me about weapons going from Israel with any degree of assurance or knowledge. I'm sure that any intelligence that I found I talked to Raphel about it. I would hope he talked to me about it. I just don't have a clear recollection.

I'll tell you why. This may sound baffling to you, but it's not to me if you sat in this job. Whether it's an M-16 or a HAWK missile to me was the problem because it was the policy. It wasn't a matter of what was or wasn't going. It was the policy that we didn't like. I mean, I'm not a technician. I told you guys that. It's the policy that bothered me, whether it was M-16s or HAWKs. So I'm not sure, if they told me, that HAWKs would have meant anything more to me than a TOW, would have meant anything more than an M-16. We didn't like it as a Department.

BY MR. SAXON:

Q In that time frame do you know if Arnie Raphel told you that he had learned that McFarlane told Secretary Weinberger in Geneva that the Iranians wanted 120 HAWKs?

A He may have told me that. I just don't recall it. I trust that he would have shared with me, like I tried to share with him.

Q Let me refer to something that's an exhibit in the earlier deposition. I'll give you the number, but let me give you for your reference a copy. These are the notes of Arnie Raphel that were prepared by him on March 31, 1987. I ask, Mr. Secretary, that you look at what is page four, at the November 25 entry.

It states, and this is Raphel: "My notes state that Bud McFarlane had met Secretary Weinberger in Geneva. Mr. McFarlane had asked for 120 HAWKs for Iran, noting that 100 had been delivered to Israel. My notes further state that Secretary Weinberger responded he was opposed to such an operation."

Does this in any way ring a bell with you?

A No. But if November 25 is that Monday and the Secretary just returned from Geneva and I had just returned, I tell you frankly I don't think I would have talked with the Secretary yet. So I don't think that's mine. But it could be. I don't think that's my note or my information to Raphel.

BY MR. SABA: (Resuming)

Q All right. But, in any event, what I'm just trying to establish is, whether they were HAWKs or TOWs or bullets and M-5s, whatever it is, your position was that our policy was contrary to making such transfers.

A Absolutely, yes.

Q And that you had come to know that transfers had occurred.

A No. We had suspicions for some time that Israel had been involved in transfers to Iran of we didn't know what, and frankly I used the Tataran firm because we've seen pictures of radios that are being captured, allegedly captured by the Iraqis on the Iran-Iraq battlefield, and this was one of the reasons that we, along with others, in our administration directed the attention of Israeli visitors to what we thought was a foolish policy of selling any equipment to Iran.

I must say I don't think we thought it was U.S. equipment, but it was not a big surprise to us that Israel would be providing equipment to Iran. I would say to me it is a surprise, was a surprise to find it was U.S. equipment.

Q It would have been a surprise if you had learned that in connection with that there were people from the White House also talking with Iranians?

A Well, yeah, that would have been a further surprise, but we had suspicions that people were talking from the White House because of some of the [redacted] that we were seeing, and I was trying to figure out who it was.

Q Just so I can get your testimony correct, it's your testimony that you had intelligence information about a transfer of weapons to Iran.

A By Israel.

Q By Israel.

A By Israel over time, yes.

Q I don't particularly mean over time, because that's vague. I'm looking very specifically at TOWs or HAWKs in 1985.

A My recollection is that I saw, and I have a vague recollection of seeing hard copy IR of a HAWK transfer to Iran by aircraft. Now whether it came from Israel I can't remember if that was on the IR. That I have a vague recollection of. That became -- it was obvious to us for some time that Israel had been selling some weapons and equipment to Iran and this was the reason that over time in a series of meetings for a couple of years at least we had been raising with the Israeli officials our point of view that Operation Staunch was the right way to go with Iran.

That's my testimony.

Q And in addition you received [redacted]

A Yes.

Q Did the [redacted] indicate or refer to an actual transfer of weapons?

A [redacted] and I can't remember when and I don't know how much I saw -- I saw what I saw -- and I had to go downstairs to see it -- sometimes indicated -- there were [redacted] I think eventually it talked about what kind, but my recollection is that that was sometime in '86. I do not recollect seeing specific weapons mentioned [redacted] in '85.

Q But the reference was to the fact that there were people from the White House engaged in conversations with Iranians about weapons?

A I can't say it was about weapons -- that they were engaged with Iranians. Eventually it came to be weapons. I don't remember that when the Secretary grabbed me he said people from the White House are talking about weapons. It was that people from the White House apparently were talking about -- talking with Iranians. What the hell's going on? What is this? Because he was indicating to me, and it could have been through General Powell, that he didn't know about this.

MR. SHAPIRO: In that connection, could I ask a question just to clarify this? Are you talking about [redacted] We're talking about [redacted] and I'm not sure that we're all talking about the [redacted]

MR. SABA: Ed, the likelihood is you know more than I do. I mean, how do I know?

MR. SHAPIRO: I'm just asking to clarify your question, Counsel. That's all.

MR. SABA: I haven't seen it. You saw it, so I'm asking what you saw.

MR. SHAPIRO: I'm just asking to clarify your question.

THE WITNESS: I understand you are at a disadvantage in this, and that's unfair. But somebody must have seen that [redacted] My understanding wa[redacted] made it available to you guys. I hope someone's seen it. There were [redacted] and they came up to me or I went down to see them in a red and white folder that said SecDef on it or something like that.

And they were in general the [redacted] I think, and over time and starting late in '85 -- and I can't tell you when -- and through a good period of '86 periodically, as you know, I do travel and when I traveled I didn't see things and they didn't particularly keep these, to my knowledge, in a desk drawer waiting for me, which they could have done, but I think they just handed them back to the guy who carries th[redacted] around.

So over time there were references to money in [redacted] that I remember. I can't remember the figures, but it was apparent to me, reading it and what I knew, [redacted]

[redacted] God only knows who, that they talked about -- [redacted]

MR. KREUZER: Mr. Armitage, were those the reports that you went down to see, were those the ones that Admiral Moreau picked out?

THE WITNESS: Well, some of them were, but later -- and I'm now in '86 -- they were apparently ones that were now being delivered to the Secretary of Defense's office. So I'm sure some of the early ones were ones that Admiral Moreau let us see, and the later ones were, as far as I know, ones that came right to the Secretary.

MR. KREUZER: Did you have to go down to a certain place to see any of the [redacted]

THE WITNESS: General Powell's office. There may have been one or two occasions when one would be carried up to me, and, as a matter of fact, now they are carried up to me. But in general I went down there to read them.

MR. KREUZER: So the ones that Admiral Moreau picked out for you to read he would give to General Powell?

THE WITNESS: He did not pick out anything for me to read, and I don't know that he knows I was reading them.

MR. KREUZER: Let's say the ones that Admiral Moreau selected would end up with General Powell.

THE WITNESS: Yes, that's my understanding.

MR. KREUZER: And then you would read those in General Powell's office?

THE WITNESS: Yes.

MR. KREUZER: And then at some point in time Secretary Weinberger said wait a minute, we are supposed to be on distribution for this.

THE WITNESS: That is my understanding.

MR. KREUZER: But you weren't able to distinguish, were you, or were you, one from the other?

THE WITNESS: No. It was a matter of no moment to me. I only subsequently learned that there was a time that we were cut off, and I talked to Arnie Raphel and found he was getting none of this, for instance.

BY MR. SABA: (Resuming)

Q So what happened was that the Secretary asked you to find out what was going on.

A Yes.

Q And in that request to you was there any mention of the existence of a recent transfer, whether of HAWKs or TOWs?

A No, sir, I don't believe there was.

Q So the only basis that you knew it or that you recall you knew at that time would be an IR report?

A I could have had subsequent conversations with friends. I don't remember that. I don't recall that.

Q And you received that request to find information.

A That's right.

Q And who did you speak to?

A I probably spoke to Bob Oakley, but I can't say with a certainty. I know I had spoken to Arnie. Now Arnie was on the trip with me -- this one to Pakistan -- as he had an inkling he was going to be the Ambassador to Pakistan and wanted to go out and measure for the drapes, and when we came back we were both engaged, as we would have been, in a discussion, telephone, what's going on in your building since you've been gone, and I'd tell him what's been going on in my building since we were gone.

I know that when the Secretary told me that something was going on I kind of figured Ollie would know something about it because he was a very active fellow and very involved with hostages. I could see myself no reason to talk to the Iranians that didn't involve hostages, none, and I think the combination of all of those and maybe rumors from the interagency community led me to ask Ollie to lunch.

Q Did you have a conversation with Ambassador Oakley prior to that lunch with Ollie?

A I don't remember. I may have.

Q And in that conversation by any chance do you recall the topic of a talking paper or points involving the Arms Export Control Act arising?

A My remembrance -- I have been wrong -- was that this arrived after I had my lunch with Ollie, and before the meeting, what I think was the first meeting, as far as I know, with the President in early December, and I think I had that discussion with Arnie Raphel.

Q With Arnie?

A Yes, that's my recollection. I could have also had one with Bob, but I'm quite sure I had a discussion with Arnie Raphel on this.

Q What was the timing on that?

A It would have been, I'm sure, immediately after having lunch here on 3 December with Ollie and prior to the 6 or 7 December, whichever date that meeting was. I'm absolutely certain I discussed this with Arnie Raphel.

Q Do you recall, just to leave that alone for a moment because in the same time frame there were joint U.S.-Israeli talks going on.

A JPMG -- the Joint Military Planning.

Q Do you recall having a conversation that week with Mindy Meron? He was to help you, staying in Chevy Chase?

A I'm sure I did. If we had it at that time, I would have had it here. He would have come in to see me.

Q Do you recall the substance of that conversation?

A I do not. The only noteworthy conversation that I remember with Mindy on this whole subject -- and I can't give you a date, but my feeling is that it was later in the spring of '86 prior to when Mindy was going to leave his job as Director General of the Defense Agency -- he got a call. He was in my office. He got a call from Ollie, who wanted to talk secure, so I let Mindy go out to my outer office to use the secure phone.

When he came back I don't remember him telling me the subject of the conversation, but I said to Mindy, you know, you guys are involved with some real sleaze balls. I think I used that exact expression, or scumballs, because Mindy gave me -- he was standing -- I remember he had just come back in my office and he was standing over by the corner of my desk, and he gave me -- he's got a very charming smile. He gave me this kind of quizzical smile which I read as, you play the hand you are dealt. He didn't say that at all. He kind of gave me one of those.

That's the only conversation I remember with Mindy on this.

Q Continuing to focus on the joint U.S.-Israeli talks in that period of time, did you see Defense Minister Rabin at the same time?

A If he was in town I would have probably seen him, but I would not have seen Rabin without the Secretary. I mean, I did not see Rabin other than at a major meeting. But Rabin doesn't come to JPMGs. As a rule this is not his level of meetings. It is down a bit.

Q I understand. It was at the Meron level?

A That's right. He led their team with their Ambassador.

Q We have Mr. McFarlane's testimony and Mr. North's testimony that Minister Rabin in New York first met with McFarlane on the 15th and raised an issue.

A Of --

Q November, and raised an issue of replenishment for Israeli weapons shipped and to be shipped to Iran. When McFarlane was in Geneva Rabin again calls McFarlane. McFarlane in turn calls -- tells Rabin to see Oliver North. Oliver North's testimony was that at that time he sought to determine legalities and modalities, I believe was his testimony in public, as to the means of transfer of a large number of HAWK missiles.

A So Ollie was looking for the legalities of doing this?

Q And, if you recall, we have the testimony that John and I did with Mr. Koch and Mr. Gaffney because we eventually came to produce the week of the 17th to the 21st the Gaffney memorandum which discussed --

A Thank God I was gone, and that's why Noel was in on it.

Q Which discussed 500 or 600 HAWKs and then eventually that number became 120. But the testimony is that that paper was in some way connected with that line of inquiry. [redacted]

A Oh, I'm sure.

Q And if that helps you, my question then is at this time, and we'll look at the period right after your return and we'll take it up to December 7, to stretch it a few more days past Ollie North's lunch, did you have discussions with Minister Rabin as to replenishment issues?

A I don't remember Rabin, but I would not have met with Rabin, me, without being with the Secretary if he were in town. That is dead sure. That's number one.

Q Mindy Meron?

A If Mindy was in town at the time, I met with him and I would have met with him here. I don't remember talking about it, but I must say I don't know why Mindy-- I mean, other than to talk about a project they wanted-- would come to me for replenishment, because I don't have the power to replenish. I can't just order DSAA to replenish. He has to submit an LOA, which has to go through a normal process, which is something I can't order.

He may have; I don't know. I'm not sure I knew or would know if it was in the context of replenishment for Israeli weapons which were already delivered.

Q I think I understand, but correct me if I'm wrong. Is it your testimony that in this time period you did not discuss with Mindy Meron questions of replenishment of Israeli weapons to Iran, whether retroactively or prospectively?

A Well, I can't say. You guys, when I saw you the last time, used the date 2 January with Mindy Meron, which caused me to go back and look at my calendar. I didn't see him, but I didn't remember then and I don't remember now. Now retrogressive replenishment of Israel, I just don't remember it. Prospective is a possibility, but I am not sure in the context of they were going to be giving stuff to Iran, because 2 December was prior to having had the meeting with the President. It was prior also to my positively getting Ollie to tell me that he and others had been meeting with the Iranians.

So it's very possible I could have talked about replenishment in general because that is one of the subjects, weapons sales in general, that Mindy talks about with me and with Phil Gast of DSAA. But I've got to say I don't remember it being related to this specific case at all.

Q All right. Let's go to the lunch. Did North tell you that he had a long conversation about 11:00 that day with Ambassador Oakley on this point?

A I don't believe he did.

Q Just to help, I am looking at Ollie North's calendar for December 3. It simply notes that around 11:00 a.m. he had a call to Oakley. They discussed certain talking points. There's a reference to hostages and Ambassador Oakley has told us that issues of the transfer were discussed and that North was concerned, but you don't recall it?

A I sure don't.

Q Did Oakley tell you about this conversation?

A I don't recall Oakley telling me.

Q Do you remember if Oakley or Raphel discussed that with you toward developing talking points or a legal piece for either or both of your Secretaries?

A No. My recollection goes a little the other way. My recollection is Ollie sat right where you are sitting and I sat right where you are sitting and we had this lunch, and after we finished it I talked about Iran and he said yeah, he'd been meeting and doing this stuff, and I was kind of shocked and said what I told you I said to him and told him I thought the Secretary would be appalled and all this had an effect, I thought, on Ollie physically because he thought so much of Weinberger.

But after he left my office I know that I would have informed General Powell and Arnie Raphel that Ollie was meeting with Iranians. So my recollection would be a little different. Though I don't have a clear recollection, I'm quite sure I called Arnie Raphel, second probably only to Colin Powell.

Q What did North tell you in that conversation?

A Well, what I remember most clearly is he was meeting with the Iranians. [redacted] But it was the whole thrust that he and others had been meeting with Iranians. He may even have mentioned Dick Secord at that meeting, though I can't be clear.

For me, on the one hand, I was excited at having what I thought solved a mystery, and on the other I was appalled at what I saw was something that my boss was clearly not up to speed on going on, and that's what struck me and that's my overwhelming remembrance of the conversation.

Q What was your report about that conversation?

A That Ollie North is doing this and that apparently it's sanctioned by his boss, by Bud. And I'm sure that's the extent of that.

Q Did you do a written report?

A No.

Q Did North inform you of the success of the August-September TOW transfer and Reverend Weir?

A Now that you ask me, that sounds a little more familiar, that Weir came out as a basis of these discussions or this was a result. That's not really what stood out in my mind, frankly. When you say it there, that sounds familiar, but I don't have a clear recollection of it.

Q But he talked about the whole mission?

A No, you are saying that. He talked about the discussion with Iran and how far he thought they were going to go and all this and that it was hostage-related. Now that you mention Weir in that connection, I think that's familiar to me. I can't center on it, whether he talked about HAWKs or TOWs. For me again I've got to say that's not what made the impression on me.

BY MR. SAXON: (Resuming)

Q Do you recall saying anything to him along the lines of but this sounds like trading arms for hostages and we don't do that?

A No, that's not the way I talk. That's not what I would have said. This is really crap. How can we do this? I would have said that. I don't know that I did, but that's the way I would have put it to him. He and I were friends and I wouldn't have been mincing around it.

Q Let me ask you one other question.

A I would have hit it hard.

Q That's a little broader and in a way an even more philosophical question.

A Get me on my weak point.

Q At any point in this time period did anybody step back here in the Pentagon, as far as you know, and look at the pattern of what was happening, of some things going on with arms to Iran. We've been cut out of [redacted] You had had these problems that you described dealing with the McFarlane NSC.

Did anybody -- you, Secretary Weinberger, General Powell, somebody -- step back and say something's going on here that we don't like, we don't know about, we need to raise or discuss?

A This is the answer, yes or no -- yes, in that something was going on that we didn't know and that caused us all to want to have a meeting with the President to kind of lay this out in front of everybody and get all the guys that had the concern together to give the President his information. I was less shocked about, personally was less shocked at finding that we had been cut out of some bureaucratic action because, frankly, at that time with the NSC and since, as I testified to before, the Lebanon experience, we had a great deal of trouble with the NSC.

So I was less shocked at being found to be cut out of some bureaucratic action than I was about what was going on. So the answer is we didn't stand back and take a long look at a great conspiracy or something like that, but we did say hey, there's a problem here and we have got to get a handle on it so we can try to fix it.

Q And the way that in a sense manifested itself was when you told Colonel North we've got to get the elephants together?

A No. I think it manifested itself when the Secretary indicated, either himself or through Powell, that he wanted someone to see what the hell was going on so we could try to find out what was going on, where do we go from here. That would be the manifestation to me, and my comment to Ollie was a private remark based on, certainly, my understanding that Secretary Weinberger wasn't very clued in on this stuff and, number two, what I felt was the case from my constant conversation with Arnie Raphel that there's something going on and we're not being plugged in.

And that's why I ever dared raise George Shultz' name with Ollie, because I had talked with Arnie.

Q Did you get a sense in the December 3 lunch that Colonel North was hearing for the first time that Secretary Weinberger was opposed to what was happening or wouldn't look favorably on it?

A I must say, now that you say it like that, I'd have to answer yes, because I said, when I told him the Secretary would have thought he was out of his mind with this, Ollie looked shocked to me, and I think he looked shocked because he respected Secretary Weinberger.

MR. KREUZER: That lunch occurred on what day?

THE WITNESS: December 3, whatever day of the week that was.

MR. KREUZER: That was the third of December of '85?

THE WITNESS: Yes.

MR. KREUZER: Four days before the meeting for the Secretary?

THE WITNESS: I don't want to claim credit for having brought about a meeting with the President. I mean, that was my recommendation to Ollie. I'm sure it was also other people's recommendation as soon as I finished that lunch with Ollie, because I know I told Arnie what I had discovered.

BY MR. SABA: (Resuming)

Q Have you seen the paper Dr. Gaffney prepared the week of November 18?

A Let me see it. It's probably out of my safe. I probably gave it to you.

Q I'll show you this, and we might as well make it an exhibit.

(The document referred to was marked Armitage Exhibit Number 14 for identification.)

A Did this come out of my safe? I think this is HAWK missiles for Iran. I have seen it. There was one about the possibility of leaks.

Q That will come.

A This one I have seen, but I don't remember when I saw it.

Q Do you remember when you first saw it?

A No, I don't. But I have seen it.

Q Do you recall whether in asking you to find more information about what's going on any reference was made to this paper or the fact of its existence? This had already been provided. Your testimony is it's been provided the Secretary a week before you engage in this inquiry.

A Whether provided by me, I was unaware of it.

Q I understand that it was provided, we have testimony, to Powell and the Secretary, so they had knowledge of this paper when they spoke to you, and it just seems unusual to me that having this amount of knowledge about an ~~initial~~ initiative which is substantial they might not have mentioned that to you.

A I don't believe they did. Now Gaffney may have mentioned it. As I say, I now know I met with him in preparation for the 7 December meeting, when I was getting smarter for the Secretary. I know I met with Hank, so he may have mentioned it then. But I've seen that paper.

Q I want to continue with the lunch with Ollie. I'm trying to understand the gist of the conversation in the context of what's going on. He told you there was an initiative, told you that he had had a discussion with certain Iranians.

A Yes.

Q He mentioned that this was in connection with hostages?

A Yes.

Q Did he mention weapons?

A I don't recall. He may have, but that didn't stick in my mind. And he may have mentioned Secord, which does now strike a more resonant tone because I knew Dick quite well at that time, at that lunch.

Q Do you remember the context in which he mentioned Dick Secord?

A No, I don't. I just say that's familiar. I think that might have happened.

Q Did Ollie mention that the status at that point of the initiative involved a proposal for 3,300 TOWs?

A I don't recall it.

Q I-TOWs?

A I don't recall it. He may have. He may have done that, or he may have -- you know, the number. I've seen it on a piece of paper, but I don't remember Ollie doing it, but it may have been Ollie that brought it up, and I don't know if it was at that lunch or some subsequent conversation. Weapons are not what stands out about that lunch. As I say, what stood out was the fact that we were dealing with the Iranians and the Department of Defense was cut out of it. He may have told me about weapons, but I don't recall it.

Q So you had the lunch and you made an oral report to whom?

A To Colin.

Q To Colin Powell?

A Yes.

Q And did you provide him any information in regards to weapons or hostages?

A I told him whatever I knew at the time. I would have told him as much that struck me out of that conversation.

Q What is your recollection of what happened next?.

A Well, I remember my most vivid recollection is some frantic working with Arnie Raphel to try to make sure our bosses were basically singing from the same hymnal. That I know because I have talked to Arnie several times on that. That's my most vivid recollection. But you've got to remember -- and I don't mean this facetiously -- my business continues and I was about to go off, and I had all kinds of things going on and in between this my most vivid remembrance is working with Arnie Raphel to be sure our bosses could be together, feeling that this would kill the program.

Q When did you speak to Glenn Rudd about the matter?

A I would be guided by whatever Glenn said to you guys. I didn't remember speaking to him, but he now -- I think he and Gaffney came in to see me on 6 December, but I'm not clear on that. I am not sure.

Q Did you request Glenn Rudd to prepare a document?

A Very possibly. I'm sure if I was in town I would be the guy requesting. But let's see the document.

Q Let me show you the testimony as the next exhibit. I have the entire deposition. Actually it was a continuing deposition of both Mr. Gaffney and Glenn

Rudd taken Monday, June 22, '87.

I direct your attention to page three and I'll show you the deposition, which will become our next exhibit.

(The document referred to was marked Armitage Exhibit Number 15 for identification.)

I would then show you, which will become our next exhibit, the paper to which you referred and identified in that deposition.

(The document referred to was marked Armitage Exhibit Number 16 for identification.)

You might want to take a look at his testimony to refresh your recollection as well as the paper. And I direct your attention in particular to the number 3,300 that's referenced for TOWs.

A Got it. Yes, I've got it.

Q I guess what I'm trying to understand is how that happened and what was it that caused you --

A I don't remember. My feeling is it must have been in a phone call in preparing for this, but I just am not clear on it.

Q Mr. Rudd testified that you came to him and asked for the paper. He did not have this information of his own knowledge, nor did he get those numbers from anyone but yourself, and there had to be a basis on which you went to him and said I need information about such and such and such, and it's very specific information.

My question to you is, who asked for the paper. Was this on your own initiative?

A No. I at my own initiative would not have thought up those numbers. I can assure you of that. It was clearly or my remembrance -- and I can't remember who; it must have been from a phone call, and I can't remember if it was Ollie, if it came from the bottom floor, from Colin Powell or from whom. I have no remembrance of that.

BY MR. SAXON: (Resuming)

Q What's the bottom floor?

A I meant the third deck, the Secretary's office. Or Ollie or any of these guys. I just don't remember.

MR. KREUZER: It could be maybe Ollie North? It could be?

THE WITNESS: It could be anybody. You could name them all.

MR. KREUZER: Could it have been the Secretary?

THE WITNESS: I don't think it would have been the Secretary. It could have been Colin. I can't imagine the Secretary dealing in 3,300s. But I can't say with any assurance that it was at all.

BY MR. SABA: (Resuming)

Q Are you suggesting the number did not come from Oliver North on the third of December?

A I'm only suggesting I can't remember where it came from. It could have certainly come from Ollie on the third or in a subsequent conversation. I don't remember where it came from and I don't remember who told me. Clearly I wouldn't have asked for a paper to be prepared if it didn't have some bearing on the meeting we were about to go to. I just don't do stupid things.

Q Mr. Rudd testified that this was done at great urgency. This was kept close is what he was informed. DSAA General Counsel was not involved. This was a most unusual exercise, done in a very short period of time.

A For all of us.

Q Not in the usual course of business.

A I agree.

Q I must confess it's difficult to, in the context of all that you have said about policy and the opposition of the Department to the policy, that you would have requested such a document with such specific facts and not have any recollection of why you requested it.

A Well, I can speculate, but I can only do that. I can't remember directly. I would speculate that I was preparing this because it was going to come up the next day. That's the only thing I could speculate. I just don't remember it and I don't remember who told me, but it was clear -- anybody who told me a number would be somebody who I would have regarded as requesting information that needed to be answered. I mean, I just wouldn't ask Glenn Rudd or any of those guys to do something stupid, and I just can't remember who it was.

And it was extraordinary, and it was very close hold. All that I agree with.

Q What did you do with the paper?

A Well, I'm sure I provided it to the Secretary for that meeting, but that's my best recollection.

Q For what meeting?

A For the next day's meeting.

Q So you knew there would be a meeting on the 7th of December?

A Yes, I knew by 6 December there was, sure.

Q How did you know that?

A You got me. Either Ollie called and told me that or Arnie called and told me that, or the Secretary's office called. Somebody told me they were going to have the meeting.

Q Who did you give the paper to?

A Well, I'm sure I would have provided it to Colin, but I don't remember giving it to him. But that's the way I did things.

Q Isn't it likely, then, that Colin would have told you of the occurrence of the meeting and the need for the paper?

A It's possible. I don't like your words, because I can't stand behind them. It's possible that he could have.

MR. SAXON: I don't mean to be glib. If you don't like ours, just provide your own.

THE WITNESS: I say it's likely, it's possible, but it's equally possible that Ollie said one of the things that's going to be discussed is 3,300 TOWs. It's equally possible Arnie said to me hey, I hear 3,300 TOWs are the number and we better find out what the deal is and get all the information. This is all possible, but you got me.

BY MR. SABA: (Resuming)

Q Let me show you another document which I perhaps may have shown to you before and it may be an exhibit, but I will show it to you now. It's a PROFs note written on December 4 by Oliver North. There's a very long summary of the entire initiative to that point, and he gives, on the third page of this, a formula and this was also used in the testimony of Mr. Gaffney and Mr. Koch. I'm showing you an unredacted version.

A I've got a clearance.

Q I just mention it because it's also a public exhibit.

(The document referred to was marked Armitage Exhibit Number 17 for identification.)

This would have been prepared the day after your lunch with Mr. North.

A Do you want me to read the whole thing? I see this is what you are interested in.

Q I direct your attention to the number in the entire initiative and perhaps that helps you to remember what Ollie might have talked about the day before.

A I see it says 3,300 basic TOWs, but it doesn't. And, as I say, it could have been Ollie, but that's not what struck me. You know, I don't think Ollie would have told me about this 3 December, because I don't believe I'd have waited to 6 December for information. I'm not at putter-offer.

MR. KREUZER: But on 3 December you imparted some very unnerving news to Ollie, and he was visibly upset.

THE WITNESS: That was my view.

MR. KREUZER: It was your view that you were out on a limb because the Secretary doesn't know about this, and you are way out on a limb.

THE WITNESS: I told him that.

MR. KREUZER: So he had to be unnerved and he left here, but within three days somebody came back with a task here for point papers on I-TOWs, I-HAWKs, and a Possibility for Leaks, which is a legal opinion paper by a man who isn't an attorney.

THE WITNESS: A Possibility for Leaks I believe was probably done between me and Raphel and with some help from DSAA, not legal counsel. But I don't know. You're saying that that was all one tasker and you are a better witness than I am. I don't know that at all. I think The Possibility for Leaks is me and Arnie. This is my remembrance, and it wasn't a tasker, I don't think. I think it was us. I just don't remember, and I don't remember how the tasker got here.

MR. KREUZER: So, let's see. The I-TOW and the I-HAWK paper, would that have come from, say, either Colin Powell or Ollie North, the request for that?

THE WITNESS: Yes, but it could have come from Arnie. It wouldn't have been a request. It would have been more along the lines of this is what's going to be discussed, but I doubt that it came from Arnie, but it could have. I just don't remember who gave me this information. I would say Ollie was the most probable. But I don't think he would have done it 3 December because I don't think I'd have waited until 6 December to ask Glenn Rudd to do it for me. That's just my own habit.

MR. KREUZER: So that would have come maybe the 4th or the 5th or maybe even the 6th?

THE WITNESS: Possibly. I can only tell you my habit is not to sit on things. So I don't sit on things.

BY MR. SAXON: (Resuming)

Q Mr. Secretary, let me focus on one different issue for a second and ask you since we've been talking about 3,300 I-TOWs Exhibit 16, which is what we call the TOW paper, has a little bit about HAWKs, but also some about TOWs. And Mr. Rudd testified that he was involved in putting this together for you, and it went to you.

The statement is contained in it, and I quote: "Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable." Do you recall taking note of that sentence in this, and do you recall any discussion about the readiness impact?

A With the Secretary or with anybody?

Q With anybody.

A I don't remember it with anybody outside the Secretary. I don't remember it directly, but I've got a hazy recollection that the Secretary had a concern for readiness, U.S. readiness.

Q On the issue of 3,300 I-TOWs?

A Whether it was on I-TOWs or HAWK spare parts, I don't know. I can't remember. But I mean this is something he gives some weight to. But whether the paper had the information or whether we discussed it across a table I can't recall.

Q Well, the HAWK spare parts didn't come until April '86.

A Well, then it might have been the TOWs. I just can't remember that it was TOWs, but I've got a vague recollection of the Secretary being concerned with readiness as a general proposition, yes. But I can't be more precise.

BY MR. SABA: (Resuming)

Q Did you provide the information in this exhibit or any part of it to Oliver North?

A I may very well have. If he asked for it, I would have provided it to him as well.

Q On the 6th of December?

A Whenever. Whenever they gave it to me.

Q I notice that in the notebooks of Mr. North on the 6th of December there is considerable information about TOWs, including the same formula which I showed you in the PROFs notes and reference to the 3,300 TOWs and very much the same information.

A I might have called it to him. I don't know that I sent the paper. But it could very well have been.

Q I want to enter another exhibit, and the second document is called "Possibility for Leaks".

A Yes. This did come out of my safe.

(The document referred to was marked Armitage Exhibit Number 18 for identification.)

Q I'd ask you to take your time and take a look at it and tell us what you know about it, and feel free to look at the deposition of Mr. Rudd and Gaffney.

A You want me to recall first and then look at the deposition?

Q As you like. I want you to feel comfortable with your testimony.

A I'm telling you the truth as I know it, so I'm comfortable without looking at their deposition. This looks to me like something I would have asked them for --

the legality surrounding this problem. I mean, that's my remembrance. I remember very clearly discussing with Arnie Raphel kind of the legal problems.

Now the reason that you made a comment about you're discussing things with people that aren't lawyers, I will recall for you that at least two buildings were appalled at this -- this and the State Department -- and that, number two, that it was our fervent hope that this thing was going to be killed. Number three, Arnie Raphel had worked in PM. He had been the Deputy Director of PM, Political-military bureau at State. As such, he had the arms transfer policy hat for the State Department, who has the lead in this issue.

We're technicians here in the Defense Department. He was very well versed on the intricacies of the Arms Export Control Act of necessity. He had held the job.

Q Mr. Raphel?

A Raphel. So I can remember vividly talking with him the ins and outs. I probably even read him this paper, and I'm sure -- I have a very vivid memory that he gave me some knowledge of what was legal and illegal.

BY MR. SAXON: (Resuming)

Q Are you able to characterize the discussion?

A Did you want me to look at Rudd's testimony?

MR. SABA: No. We'll turn to some more specifics, but go ahead, Mr. Saxon.

BY MR. SAXON: (Resuming)

Q Let me just see if you can characterize your discussion with Arnie Raphel and I'm going to give you some choices, and if none of them apply, that's fine.

A Thanks. I'm comfortable.

Q Do you recall what I'll call the legal discussion where you were talking about the Arms Export Control Act, the provision and so forth?

A Yes.

Q Being in the context of what are the provisions that apply and that govern so we can brief our principals so they'll know, or what are the impediments to this, since your boss and my boss don't want it to happen and go forward, so we can help them shoot it down?

A I frankly think we saw them both as the same thing. I mean, the legalities would be impediments. So I don't know that we would have used the word how do we block this. There was no question at the staff level the advice to the principals was going to be this is a bad deal.

So we wouldn't have used the term "impediments". What are the legalities surrounding arms transfers? What are the parameters that the bosses have to take into consideration? That I remember. I don't remember using the word "impediments", but it was clear this is what our whole focus was -- my whole focus, and I believe Arnie shared that.

BY MR. SABA: (Resuming)

Q In the Possibility for Leaks the very title of the document might suggest certain things. What did you understand to be the purpose of the paper?

A I think I was looking for what were the ways to do this quietly. I don't know whether I would have used the term "Possibility of Leaks" as the heading. I possibly did, but I don't think so. I think I would say, listen, if this wants to be done, how can it be done legally? What are the legal parameters?

Quietly. I mean, obviously it would have to be quiet.

Q Why?

A Well, because we thought selling weapons to Iran was a violation of everything from operations talks to hostages. We didn't think we'd ever be able to explain it to our modern Arab friends. We thought it would make us look like idiots in Europe, where we had finally made some progress on terrorism, et cetera, et cetera.

Q Why wasn't the question put to Jerry Silber?

A I may have said don't let anybody else see this. I'm sure I would have said to either Hank or to Glenn. Just use your collective knowledge because we want as few people to know about this as possible.

Q Who is "we"?

A Me and the Secretary. The Secretary said this is a very close hold.

Q So it was the Secretary who asked you to do it?

A No. It was the Secretary who asked me to find out, but when I told him or told Colin what it was, I then had to staff him up and told Colin that I would staff the Secretary. The Secretary wants to keep this very quiet. I mean, it was our hope to just kill it and it would go away and we would never see it again.

So I would have, as a matter of course, cautioned Glenn and Hank do it yourself. You guys have been in this business for 20-odd years. You know the stuff. Give me what I need.

MR. KREUZER: The Secretary asked you to find out about this thing that's called Possibility for Leaks?

THE WITNESS: No. The Secretary asked me to find out if anyone was talking to Iran. Eventually we got word that there was going to be a meeting of the elephants, as I called them. I then reported I will staff the Secretary up to Colin. Colin reported back to me that's fine, but keep it quiet, which I would have done without any caution from the Secretary of Defense.

And I'm sure that I would have fully told Hank and Glenn don't let this get out of your sight. It stops with you. It is not unusual in this business for the Secretary to turn to me or one of my colleagues and say I need your advice on X. I don't want it staffed by anybody; I want your advice. Give me what you've got now.

I've had occasion to go in and see him on some subject matter and he'd say, look, I need to know about Y and I don't want to ask officially. Can you tell me what you know about it? And I'll give him as much opinion as fact. So that in itself, I mean, a request to keep things quiet is not totally unusual. But this whole program was bizarre.

BY MR. SABA: (Resuming)

Q And in your request to Mr. Rudd you also asked about price and readiness issues?

A I guess I did.

Q And I take it you instructed him to draft --

A I would bet price was what somebody had asked me, and I would bet that readiness was probably something that I put on or that they put on themselves, because they would have to take these stocks from the Army and, as a matter of course, we were interested any time we draw down our Army stocks what the readiness is. So they may have added it of their own free will. I like to think that I brought it up.

Q Who do you think "they" would be?

A "They", Hank and Glenn, the DSAA body as a whole. They do have to consider readiness.

BY MR. SAXON: (Resuming)

Q Before we get off of a point you made a moment ago, you said that this was very close hold.

A Yes, sir.

Q Why would this document, the one Possibility for Leaks, and the TOW paper and the HAWK paper -- I think they are all classified at the Secret level. Is that unusual, given how sensitive this was?

A No. I think that's what the boys felt. I didn't classify it. I think others did. But I don't know. Whether it's Secret or Top Secret, if you give it to the press you are still in violation, as far as I'm concerned, with all of the statutes. They classified it; I didn't.

BY MR. SABA: (Resuming)

Q Who's "they"?

A DSAA. I didn't put a classification on this.

MR. KREUZER: But you know Dr. Gaffney and Mr. Rudd. Do you know the General Counsel very well, Mr. Silber?

THE WITNESS: I work with him on a regular basis, yes.

MR. KREUZER: So it was just your choice to limit it to Gaffney and Rudd?

THE WITNESS: That's correct. I would have limited it to Gast, had he been around, and I'm sure he wasn't in town or I would have had him -- General Gast.

BY MR. SABA: (Resuming)

Q I take it that the paper was prepared with a contemplation of the possibility that a third country would be involved in the transfer to Iran.

A Well, apparently that must have been the instructions I was working under. I don't quite remember it that way.

Q Referring specifically, there's a reference to the legalities of third country transfer provisions of the Arms Export Control Act.

A That also could refer to Iran. Iran we'd have problems because we could not guarantee the third country transfer from Iran. I mean, they might give it to I don't know who -- Libya -- and we couldn't guarantee that, so I don't know what that particularly refers to.

Q In the questioning in Mr. Rudd's deposition Mr. Saxon asked him, on page 17, "Is it safe to say that the paragraph on page two is written in contemplation that Israel would transfer the missiles to Iran?" Witness Rudd: "Yes." And the testimony goes on.

We questioned Mr. Rudd on this and it was his understanding that he had been asked to draft this in the contemplation that one possibility for transfer --

A That's fine. I don't argue that. That's fine.

Q Would you say also that the two documents, taken together, also address the issue of replenishment of Israeli --

A I'd have to see them again. I don't know that they did that.

MR. SHAPIRO: Which document are you referring to, Counsel?

MR. SABA: Both of them. I split them, and they are two.

THE WITNESS: Well, I don't know how you come to that conclusion, but your previous point about the last paragraph on page two of the paper, the Possibility for Leaks, could be interpreted as having Israel in mind, this Armitage Exhibit 16, and I don't know where Israel is in here. I don't see any reference to third country transfers.

BY MR. SABA: (Resuming)

Q But I was asking you if that was what was contemplated.

A You know, I think it could have been, but I don't remember it clearly. To me just doing it was the bad thing, not how it was done, other than trying to make it legal. The prospects for leakage of shipment of I-HAWK looks to me like this is in response to a direct question if we wanted I-HAWKs immediately where we would get them and where we would take them, and I-TOWs immediately where would we get them and where would we take them.

I'm not sure that this particular paper would have necessarily been explained as going to Iran. I'm not saying that we didn't say that or I didn't say it to Glenn or something, but I'm just saying that it's not necessarily indicated here. I would like to think, frankly, that I gave them a degree of protection from this thing by just asking the specific question I needed an answer to rather than how it would be done. In combination of discussions with me and Mr. Koch, who I have subsequently learned was involved in this, too, we could have mentioned Israel.

Q But Mr. Rudd and Gaffney have both testified, and the testimony is also here that was not made public, that they understood from you that Israel was involved.

A No problem. I don't argue with it. I would have told them whatever I thought.

Q But it's your testimony that you don't have any recollection where the numbers came from?

A No. I can't recall who, but I would say that, one, I would not have pulled it out of thin air, and, two, it would have to be somebody who had some authority or I wouldn't have tasked the DSAA to do something like this.

Q And who would have greater authority here than yourself?

A Well, not greater authority. Look, we've already seen, I think it's become painfully clear to most of your bosses and painfully clear, embarrassingly clear to the rest of us, that the National Security Council, when a staff officer asks, whether it's Ollie or anybody, generally you respond. They ask for information all the time. In fact, ISA is correctly the point that all the other agencies are supposed to come to when they want to talk to different parts of this building. We are the liaison between all the agencies.

So, as a matter of fact, we would respond to a query from an NSC staff officer even if he wasn't Ollie.

Q But these papers were provided, you said, to either General Powell directly or to the Secretary.

A Yeah. I'm quite sure I would have given them to Powell and not to the Secretary.

Q So if Ollie North requested them, you might have given the information to Ollie North?

A I'm sure I would have.

Q But that wouldn't have caused you to give those same papers to the Secretary in preparation?

A I don't think so.

Q Or was it your understanding Ollie asked you to do this to give to the Secretary in preparation for the meeting?

A My understanding is I don't remember who asked me, but clearly it was in preparation for the meeting. The timing suggests that.

Number two, I would have had no reason to withhold that information from Ollie North.

MR. SAXON: Do you recall if this was distributed at the December 7 meeting?

THE WITNESS: I don't remember if I knew it was or not.

BY MR. SABA: (Resuming)

Q Do you recall any discussions at that time of a draft Finding, a Finding which had been drafted in the last week or two of November and which came to be signed on December 5?

A I have no knowledge of it.

Q Authorizing?

A No.

Q Did you have any discussions about these matters with anyone at that time, the time being the last week or two of November, the first two weeks of December, with anyone at the CIA?

A I sure don't recall it. I'm trying to think who was DDO then. Who was DDO then? Was it Clair George then or was it before? It was [redacted]

Q [redacted] Clair George?

A I don't have any recollection at all. I was just trying to think of something that could jar me. [redacted] [redacted] would have been --

Q McMahon was aware.

A McMahon was the Deputy.

Q Yes. McMahon was aware of the matter at the time.

A Deputy until Bob Gates, who is a much closer friend and colleague of mine. I didn't talk to the Director or the Deputy Director that often. It was a matter of some moment when they called me. But the guys from the different regions and the DDO and the DDI, they talked to me quite often, but I don't recall talking to any of them on this. I mean, I know John McMahon did not talk to me about this. I would remember that.

MR. SAXON: Do you recall talking to [redacted] [redacted] about any of these matters?

THE WITNESS: I don't recall it. I wouldn't be surprised if later in the year of '86 I took a few shots at [redacted] I remember talking to Charlie Allen on the outskirts of our OSG meetings about this.

BY MR. SABA: (Resuming)

Q In any event, it's your recollection, then, that you provided these papers to Colin Powell or the Secretary.

A It's a general recollection that I would have provided to Colin. I would not have walked in to the Secretary with these papers. I just wouldn't have done it.

Q Do you recall having a discussion prior to that meeting on the 7th with the Secretary about the matter?

A I do.

Q All right. Can you recall when that meeting was?

A Gosh, I've thought a lot about it. It was either late on the 6th or early morning on the 7th. The

Secretary was leaving town. I like to think it was early morning on the 7th, if that's a Saturday.

Q Yes, that's correct.

A As I seem to recall, I was in gym gear, which is what I wear around here on Saturdays, but I recall very clearly having a discussion with the Secretary in preparation for this meeting.

Q And can you tell me about that discussion?

A Yes, I can say that I started to go through my litany and the Secretary would finish sentences for me, and that I indicated my understanding from staff was that Mr. Shultz would be with him on this and that ought to have a salutary effect. And the Secretary went through, I remember very clearly, all the arguments that I had laid out, plus the legal arguments which I had mentioned in passing, and that he had absorbed.

I have never been more comfortable briefing my boss in my life.

Q Did he indicate to you what he knew about the matter?

A He did not.

Q Did he indicate to you what he expected would happen that day?

A No. His whole discussion with me was what a terrible and stupid affair this could be.

Q Did he make a reference to you to transactions that had occurred prior to that day?

A Not to my recollection.

Q Did you discuss your lunch with Ollie North?

A I think I had done that previously to Colin. I don't remember discussing it again.

Q Did you discuss with him a wrap-up of intelligence information that you had earlier discussed?

A No, I don't recall that.

Q Did you discuss with him your discussions with the people at the Department of State?

A I'm sure I did, because I have a clear remembrance of saying Mr. Shultz, I was told by staff, is going to be with you on this and that ought to have a good effect or salutary effect and that it ought to get a change and getting a smile from him. So in that context, and I'm sure I mentioned Arnie's name, because he knew that Arnie and I were dealing.

Q Did you provide the Secretary with any information that was provided you by Arnie?

A I'm sure I did. Whether I said this is what Arnie says or this is staff view or my view, I can't say. I would have probably taken credit for it.

Q Assuming that Arnie would state that he had told you about the HAWK shipments --

A Assuming that Arnie would state that he told me about the HAWK shipments?

Q Would you have a recollection of telling that to the Secretary?

A No.

Q That you had information about the fact that there had been a HAWK shipment?

A No. Why would I assume that Arnie told me? I mean he either told me or he didn't. I don't remember it, but I remember having a discussion about the intel with Arnie and what is this and what do we know and all this.

Q Let me ask you more direct. Did you tell Secretary Weinberger that you had information from the State Department that there had been a HAWK transfer?

A I don't think so, and I don't think I had that information. That is not something I think I knew.

MR. KREUZER: But you got information from Colonel North on the third, when you had lunch, that he gave you.

THE WITNESS: That's what you're telling me. I'm saying he could have; I don't remember it.

MR. KREUZER: You don't remember getting that information?

THE WITNESS: No, I don't at all.

BY MR. SABA: (Resuming)

Q Did the Secretary then brief you about the events that occurred at the meeting at the White House on the 7th?

A He either did that day, but I rather think he might have done it Monday or so, but it could have been Sunday. But yes, he did.

BY MR. SAXON: (Resuming)

Q Before we go to the meeting itself, let me ask one more question. In your pre-December 7 briefing of the Secretary, whenever that was -- late on the 6th or early on the 7th -- apart from the question of to whom you gave the briefing paper which we have discussed you indicate you are not sure if you gave it to him directly or General Powell, and that's fine.

A I don't think I would have given it to him directly.

Q Do you recall if he had it in hand and did either of you have paper which you looked at or referred to or talked about?

A I have a recollection that one paper I had in hand talked about the Arms Export Control Act, and I think I probably had jotted down as a memory aid my own views in detriment to allies.

Q And do you recall --

A It was not a staff paper. It was typed; I know that.

Q Do you recall if he had any paper in hand that he intended to take with him and that he might have referred to?

A No, I don't.

BY MR. SABA: (Resuming)

Q I am about to leave these papers.

A Are you going to leave them with us?

Q Well, that's my last set of questions. Why didn't we see these until we had a more extensive examination? We had made several documentary requests.

A Whoa.

MR. SHAPIRO: Counsel, any such question is properly directed to me at another time.

MR. SABA: No. I think it's a valid question.

THE WITNESS: I'd like to get on the record on this and let Ed answer the question. You know the answer. You can take care of that. But I, when we received documents searches, specifically ruled myself out of my own documents and did not review the documents and would not, and assigned someone else to do it because I could smell a rat coming and I wanted to make sure that I was above-board in terms of cooperation.

And I asked Linc Bloomfield to review all of my files and anything that was in my files came forward, I think through you, to them in as timely a fashion as we could find them. So I feel, frankly, as John Poindexter says, no regrets for that because I didn't review them, because I wanted to keep clean on this and, number two, gave access to everything to someone else so we could make sure that nobody could level a charge that we weren't fully cooperating and someone who didn't have a vested interest in the document search.

BY MR. SABA: (Resuming)

Q Where were the documents?

MR. SHAPIRO: Which document, Counsel?

MR. SABA: These two exhibits.

MR. SHAPIRO: Would you identify them, please?

MR. SABA: Which exhibit numbers are these? Exhibit 16 and 18.

MR. SHAPIRO: If you know.

THE WITNESS: Well, I assume they came out of my safe. I don't know where they came from. I assume I gave everything I had.

MR. SHAPIRO: In fact, Secretary Armitage just told you that he did not personally participate in the search.

BY MR. SABA: (Resuming)

Q Do you know the circumstances whereby they were provided to us?

A I don't.

Q Did you discuss them with Mr. Rudd in June of this year?

A Yes. I asked him after my testimony what was going on, what went on.

Q And how did that --

A Well, I remember him having a different opinion about whether he talked to me or Noel on one meeting, and I can't remember which one it was, and I pointed out, gee, I couldn't have talked to you then, Glenn, I was out of town. He said, oh, yeah, I must have talked to Noel. That's my clearest remembrance.

Q Do you recall Mr. Rudd coming to you on approximately the 15th of June and discussing these papers with you, Exhibits 16 and 18?

A I'm sure I would have asked him what went on, what's your remembrance.

MR. SHAPIRO: You mean the papers specifically or the substance of the papers or the substance of the deposition or testimony, Counsel?

MR. SABA: The whereabouts of the papers.

MR. SHAPIRO: The whereabouts of the papers at what time?

MR. SABA: Approximately the middle of June.

THE WITNESS: I think I may have asked Glenn down after talking with you guys, saying, Glenn, these fellows asked me some questions about meetings with you that I couldn't recall. And he said whatever he said about, yeah, I told them I met with you at such and such. And I remember saying that I was out of town at that time, and then he or Hank -- it was one of them; it might have been Hank -- said yeah, maybe it was Noel Koch that I met with, yeah, that's right -- something like that, which was a relief to me, and I'm sure I said what's your remembrance, because I didn't remember it at all.

And prodded by that discussion with either Hank or Rudd I found out that I did meet with these guys on 6 December.

MR. SAXON: Let's go off the record a second.

(A discussion was held off the record.)

MR. SABA: We'll go back on the record.

BY MR. SABA: (Resuming)

Q Mr. Secretary, can you tell us, to the best of your recollection, when you first provided Exhibits 16 and 18 to counsel in connection with this investigation?

A To the best of my knowledge it was provided at the earliest possible moment following counsel's request for all relevant documents. I'd like to further state that I wanted to assure that all documents were given over without any hesitation, and that's why I myself ruled myself out from document searches and had a third party do the search, so there would be no subsequent suggestion that perhaps something hadn't been turned over that was in my files.

To the best of my knowledge everything was turned over as soon as possible upon notification of your request.

Q Thank you. I want to move to another area. Perhaps if someone else has questions about these exhibits, let me give you an opportunity.

MR. SAXON: No. We've got little time left.

THE WITNESS: Well, we can stretch you a while. You guys accommodated me and I can accommodate you.

BY MR. SABA: (Resuming)

Q I'd like to move on, Mr. Secretary. After the 7th you were debriefed. Between the 7th of December and the end of the year, did you have any additional activity in connection with what we call the Iran initiative?

A Well, other than I'm sure I wrapped up with Arnie Raphel after I was informed by the Secretary that he thought the outcome of the meeting, and I believe I kind of thought things were dead, and that's what the Secretary's impression was. But I would have had a conversation with Arnie particularly about a debrief of here's how my boss saw the meeting. How did your boss see it?

Q Do you recall a January 2 meeting with Oliver North?

A I've got my January 2 calendar here, because that was the date you asked me about.

BY MR. SAXON: (Resuming)

Q Before we go on, let me ask you one question. In the debrief with Secretary Weinberger of the December 7 meeting, whenever that debrief took place, did he tell you that he had proposed to the President that the better way to get the hostages back than selling arms to Iran was [redacted]

A I don't know that he told me that. That was always his view and he expressed it on occasion. I had every reason to believe he would have.

Q And just let me ask the further question, although I think it's answered by that answer. Did he say anything to you that would indicate that in the December 7 meeting he put forward that the better route to go was [redacted]

A I don't remember that specific.

Q And that President Reagan said words to the effect in response, yeah, that's the way I want to go?

A Well, it would have been consistent for him to do so, but I don't remember him telling me that portion, nor do I remember him telling me directly what the President said. Secretary Weinberger does not generally debrief on what the President said. He'll tell you what he said, what Mr. Shultz said, and what the decision was, but, as you know by now, it's difficult to get a debrief from Secretary Weinberger, and it's only on those things.

I mean, there's a high degree of immediate interest that I go down and park in his office. There are plenty of ways, not the least of which is to find out from the notetaker at the NSC what went on.

But January 2 --

BY MR. SABA: (Resuming)

Q January 2.

A I not only don't recall a meeting, it's not listed on my calendar.

Q If I can help perhaps, I have a listing on that morning at 8:30 at the Hay Adams.

A At 8:30 I was in the SecDef's staff meeting here.

Q All right. Do you recall a meeting with North that day?

A No, I do not. I can't tell you. I wouldn't know the Hay Adams if I fell over it, frankly. I don't remember having been in there. I guess I was in for some visiting dignitary, but I do not remember being there that day, and I'm specifically shown as in the staff meeting and walking back to my office with Fred Ikle.

Q Do you recall a meeting on that day with Menachem Meron?

A I do not show one, and I had a very full day.

Q Let me show you a page six, which will become the next exhibit. It's page six of information provided to us by the government of Israel, and if you haven't seen it please take whatever time you need.

(The document referred to was marked Armitage Exhibit Number 19 for identification.)

A I have just got to tell you that I did not see Mindy, according to this calendar, that day, and I do not recall that meeting. And the reason I have this calendar is because you asked me about it previously and I didn't remember it. And the next day I left for Hanoi.

Q Did you have any activity --

A I might say you might want to ask Mindy what time of day that was, because I mean she's good and I was in the office all day and Mindy didn't come in and she wouldn't have let a visitor as noteworthy as Mindy come in without making a note of it. So I don't recall that at all.

BY MR. SAXON: (Resuming)

Q I guess the more important question, though, would not be what time of day it was or whether it was on your calendar, although I know that helps, and not even January 2, because this is the report the Israelis have provided after a lot of checking, and they indicate they could have something wrong here and there.

But the report states: "Menachem Meron met on 2 January 1986 with U.S. Assistant SEcretary of Defense Armitage and sought to conclude an agreement regarding the replacement missiles, including their price." So, more important, do you recall at any time in that time frame meeting with General Meron and discussing those topics?

A I not only do not recall it, I'm not the guy to talk price. Talk general systems and all of that, fine, but I'm not a price guy, so I don't have any recollection, and please let the record show that my calendar shows no meeting with Mindy in or out of the office.

Having said that, he's a great guy.

BY MR. SABA: (Resuming)

Q Did you have any discussion after December 7 of '85 and before January 17, '86, with any official of the government of Israel on the issues of the Iran initiative?

A I can only state that from 3 January to 10 January 86 I was out of town, and then again from 14 to 18. I was in Bangkok, Hanoi and Hong Kong between 3 and 10 January. And then on 14 to 18 January I was at the Security Subcommittee meeting in Honolulu. So I don't remember it, and I think it's kind of unlikely. I mean, I was just traveling a lot.

Q Did you have any conversations, perhaps in December, with Ben Yusef?

A If Mindy came in, I'm sure Abraham Ben Yusef would have come with him. They generally are a matching set, because the purchasing agent is Mr. Ben Yusef. But I don't recall, frankly, talking about weapons. We've talked previously today about the possibility of talking retroactive or prospective weapons. I just don't recall it.

Q Did you have any knowledge prior to January 17 of '86 about the issue of replenishment of Israeli weapons that had gone?

A I've told you my recollection. I'm not being testy. I just don't have anything to add to it. And I just say that I was gone a lot of that period.

Q Let me show you what will be the next exhibit, which is from the testimony of General Colin Powell and I'll provide three pages of that testimony, page 80, 81 and 82.

(The document referred to was marked Armitage Exhibit Number 20 for identification.)

You might want to look at the sequence of questions. This is the Exhibit.

(Pause.)

A What's the date General Powell is talking about on here? He's talking about sometime over the next week, I can't recall how, either the Secretary or my NSC interlocutors, the number changed to 4,508.

Q The reference is to --

A I'm trying to understand where the extra 508 came from.

Q The reference is to the period. He says it's roughly the week after the 17th of January.

A It's the week after the 17th? Well, I would have been back in town.

Q The week after the 17th.

A I certainly don't remember telling Colin.

Q Just to make it clear, on page 80, line 14, I asked how the number changed to 4,508. At line 15 it says: Sometime over the next week. And the reference prior to that was the 17th of January. And we had other testimony as to the period we're talking about.

A No. I don't remember telling Colin anything about a previous shipment of weapons. And I think that it was sometime -- and I can't say what "sometime" means; more than a day or two -- after the 17th that I found out things were in train for a transfer. And after the decision was made on the 17th of January I never dialed in. I never got involved other than to be informed that something was going on.

Now any information that I found out about any aspect of the program I would have shared with Colin Powell, but I do not recall helping him at all with 508 or the increase from 4,508. I'm sure that I did not tell him that the number should increase to 4,508 TOWs. I'm dead certain of that.

Q All right. There is perhaps one reading of the testimony could be that he came to realize that there was a replenishment and he came to realize that one or more persons had known prior to that date of a shipment, and that this number was a replenishment.

A I read that in there.

Q He mentions your name twice. So it wasn't necessarily that week that you knew of it.

A Previously.

Q But some point prior?

A Yeah. I understand what you're saying, and I don't think I knew that. But if I had known I would have told Colin. But I just don't recollect at all telling him that. I just don't think I knew it.

Q My question is, did you know it?

A No. I don't remember knowing. I don't know how to answer it. I don't recall knowing it. I think I've testified that it wasn't until around November of '86 I found out things had actually happened, that Israel had transferred things without our knowing about it.

I was never actually sure during all of '86 how the transfers were made after our weapons went to the CIA. As I say, this was absolutely not a matter of movement with me. It was the policy that concerned me.

Q So your testimony then is that you simply did not know even as late as roughly the 20th?

A Well, my testimony, I think I've got carefuller, is I don't recall knowing about this. I hate to be that way, but it's bad times, fellows.

MR. SHAPIRO: It's perfectly within your rights.

THE WITNESS: Of course it's within my rights, but these are bad times and I certainly don't remember knowing this.

MR. SABA: I think Mr. Saxon is about to feel a question coming on.

BY MR. SAXON: (Resuming)

Q Let me introduce another exhibit, give you this, and give you a moment to read it.

(The document referred to was marked Armitage Exhibit Number 21 for identification.)

This is from the testimony of Colonel North at our hearings on the afternoon of July 7, and I ask you to just take a minute and read these two pages I've given you.

(Pause.)

A Okay. I've got it.

Q At line 1486 Mr. Nields says: Colonel North, I asked you before we broke about a number of particular individuals and whether they were aware of the HAWK shipment in November of 1985. Dropping down: Mr. Nields: Were any officials at the Department of Defense aware that 18 HAWK missiles or some number of HAWK missiles had actually been shipped by Israel to Iran?

Mr. North: I believe they may well have been because I think I made several efforts to coordinate with them the replenishment of the HAWKs, I think, if I remember properly, with DOD officials about both HAWKs and TOWs. I wouldn't be asking them about HAWKs if they hadn't already been ordered up as a need for replenishing.

Then you get to the bottom of page 68, line 1519. Mr. Nields: I just want to make sure. My question simply is who in the Department of Defense was told that there had actually been a shipment, if anybody. Mr. North: An unrefreshed long time ago memory would tell me that I probably talked about that delivery with Mr. Koch, possibly with General Powell, possibly with Mr. Armitage.

Now Colonel North indicates his memory is unrefreshed and he uses the word "possibly", so his testimony does not stand for the proposition you were told. I would simply ask you, since he says he might have talked with you about it, do you recall Colonel North ever telling you at the time or roughly at the time of the shipments?

A I do not recall that. And I also recall that in a previous part of Ollie North's testimony he said that he dealt with others and latterly me. So I don't think he did tell me -- others first, and then latterly me.

BY MR. SABA: (Resuming)

Q Mr. Secretary, would you have any objection to putting the calendar that you prepared in as an exhibit? I think it's helpful to the testimony and a better knowledge for those who read the record.

A You'll get to look at, in case we want to move somebody off who shouldn't have been seeing me.

Q You had a typewritten one.

A This is where I was. You guys are welcome to that. I just would like to take some time before it goes out to make sur[redacted] I'd like to keep it in case there are other questions.

MR. SAXON: I think it would be helpful to make that a formal exhibit to the deposition unless again there is somewhere on there --

MR. SABA: I think it would be helpful.

THE WITNESS: I just want to stress for the record that I prepared this based on the questions you asked me last time and my inability to say that I was traveling and where.

MR. SAXON: And by asking for it I'm not suggesting that there is anything wrong or improper about having a calendar to refresh you, because when we say where you were on the day of such and such, who knows where they were without something in front of you.

(The documents referred to were marked Armitage Exhibit Numbers 22 and 23 for identification.)

BY MR. SABA: (Resuming)

Q Mr. Secretary, do you recall if in January you provided any other legal or other memoranda to anyone in connection with the Iran initiative?

A I don't recall.

BY MR. SAXON: (Resuming)

Q Let me ask the same question in a slightly different way. There is testimony, sworn public testimony, from Judge Sporkin, who testified on June 24 of this year at our hearings in his capacity as having been General Counsel at the CIA that on January 16, 1986, the day before the Finding was signed on the 17th , there was a meeting at the White House at which Admiral Poindexter was in attendance, Mr. Sporkin, and Secretary Weinberger, among others.

And his testimony was the meeting ended with Secretary Weinberger making a statement that he would like to take it -- and we're not sure whether "it" literally referred to the Finding, a draft of the Finding, a piece of paper or simply the concept that they were about to formalize -- would like to take it back and let my lawyers look at it. And Secretary Weinberger, in his deposition to our two Committees, when presented with this is what Judge Sporkin will testify to soon, said that's sounds about right.

We have this afternoon been told more or less by Mr. Garrett that there is no record that any lawyers ever formally looked at the January 17 Finding on the 16th or the 17th. Our question to you is, were you asked by the Secretary about that time to respond in any way that we could call a legal response to either the Finding specifically or the concept of going forward that was expressed in the Finding?

A The answer is no. I was traveling at the time as well, I wouldn't know Stanley Sporkin if I fell over him.

MR. SABA: I have just a last line of questioning at another time period on another subject.

MR. SAXON: I don't have much.

MR. SABA: I want to go to the November '86 period.

MR. SAXON: That's fine. I'm sorry, before you jump to that, let me formally introduce as an exhibit, if you kept it, the handwritten note that Mr. Koch prepared.

(The document referred to was marked Armitage Exhibit Number 24 for identification.)

THE WITNESS: Yes. You can read it?

BY MR. SAXON: (Resuming)

Q I can read it.

A He's been a friend of mine for years, and I can't read it.

Q I had to help Mr. Koch read this when he testified to refresh his recollection as to what his handwriting said.

He says in Item 1 that the TOW discussed separately with Rudd and Gaffney in December. And that we know more or less to be the case.

Item 4, "TOW paper locked in RLA safe. Wouldn't let Rudd keep copy." He indicates that RLA is Richard L. Armitage.

A That's right.

Q Would that be consistent with your understanding that you took the TOW paper that Mr. Rudd prepared and put it in your safe?

A Perfectly reasonable.

Q And for that matter, since this was a close hold, that you told Mr. Rudd that you didn't want him to keep a copy?

A I'm sure that's the case.

Q And, for the record, at the time that paper was prepared or the HAWK paper, either of them, do you recall telling Mr. Rudd or Dr. Gaffney to destroy all notes, all working documents, et cetera?

A I'm sure I did. I didn't recall it, but when they said it in their testimony I agree completely that I would have done so.

Q And to make sure the record is clear that would have been contemporaneous with their preparing it, which would be in keeping with this being a close hold, no notes kind of thing?

A Yes, sir.

Q And not in any way after the fact, trying to destroy the record?

A Thank you.

Q Now one other thing I wanted to go to in this document. If you drop down several lines, you see the first word that looks like Gast. It says: "Gast said best possibility of cover", and then the next word I can't read, but the last words are "do it black".

A "Must do in black", "must do this black".

Q Mr. Koch testified in his two depositions and publicly in his sworn testimony that if not from Gast -- he thinks it might have been from General Gast -- but also it could have been from Mr. Rudd he got the clear understanding that if you were looking at the numbers of

TOW missiles involved, knowing the prices we knew at the time, you do the arithmetic and it would have been at a dollar figure in excess of $14 million, which means if you were going to go forward through white world FMS sales you would have to tell the Congress.

A Correct.

Q The understanding was that we didn't want to do that, and, of course, the Finding said Congress was not to be notified, so they concluded that the best way to go about it, if the transaction was to go forward, would be to make it an Economy Act transfer to the CIA, make it an intelligence activity and go covert, which he says do it black means.

My question to you simply is were you part of any of this decisionmaking process?

A I don't think so.

Q Or any discussions in which this result was reached?

A No, I wasn't. To my recollection I was not.

MR. SAXON: That's all I've got on that exhibit.

BY MR. SABA: (Resuming)

Q Mr. Secretary, I have just a few questions by way of information. You told us before that in preparation for the Attorney General's press conference a statement was being prepared for President Reagan.

A Well, okay. Yeah. I don't think it was in preparation for the Attorney General's conference. It was a statement the President was going to make, a statement the President was going to make, not in preparation for the Attorney General.

Q Let me show you the transcript, and we don't have to make this an exhibit, but just if I could get some help here. I'm showing the Secretary the transcript of his deposition May 26, 1987, at page 62. I just want to see if I can get some more information and maybe get this right a little bit.

It's a bit confusing in light of what we know now.

A All I can tell you is this. Around the time of the Attorney General's press conference is where I have a remembrance of the following -- that we had an OSG meeting in which a statement for the President was shown around. This was, in my memory, prior to the Attorney General's press conference and not related to the Attorney General's press conference -- to clarify that.

The speech or text of this paper concerned the Iran initiative and, as I recall, did not concern itself with the Attorney General's press conference or the President's response to that.

Q Do you recall the date offhand? There were several OSG meetings. If it helps you, the revelations--

A You know, I'll tell you, I think it was the day the President made the speech.

Q The 19th? He had a press conference on the 19th.

A Then that may have been it.

Q He gave a speech on the 13th.

A Well, it was in preparation for a speech, to the best of my knowledge, and I remember very clearly that everyone at that meeting had negative things to say about the statement. I've already testified to that.

Q So you think it was a draft statement?

A That was the way it was presented to us.

Q Do you recall specifically what your objection to it was?

A Well, I recall making the comment that this asked more questions than it answered. It's better just to say I'll get the facts and give them to you. Jerry Bremer, John Moellering, Buck Revell -- I mean, it was a cacophony of sounds, people saying this is crazy. It does not jibe with the facts, et cetera, et cetera. And Ollie, who I think was a little surprised, and his colleagues said well, send in your comments.

And my comment I think I phoned in later said, we can't go forward with this paper. And John Moellering said, fellows, I was around during Watergate and this is a bad deal.

Q So this was a draft which was circulated to a group?

A That's correct.

Q Do you recall was any other draft of any other statement provided to you for comment?

A Not that I recall.

Q Do you recall if you were provided with any draft chronologies of the events?

A No, I was not.

Q For comment?

A No, I was not.

Q So to your recollection there was only one document which was circulated for the group and you had comments on it?

A Yes, that's correct.

Q Do you recall if in your comments to Mr. North, Colonel North, you indicated that you had more specific knowledge of the facts -- that is, the number of shipments and the size of the shipments?

A Well, I don't know that it got down into line by line this is wrong, that's wrong. No, I don't remember that. But I remember that the general tone and thrust was not, as I understood the project -- and I didn't pretend to understand it in depth -- but Jerry Bremmer, who sat next to me, I remember very well, I said, Jerry, what is this and he was raising hell about it. John Moellering, who was around the corner -- my remembrances of those days are clearer because they are so much closer -- but I don't remember that we went line by line specifically tearing it apart. It was just a general belief that this is terrible and we can't allow the President to do this.

Q Did you provide any written comments?

A No. I can remember calling in. I think my comment was the President ought to stand up and say I'll get to the bottom of it; I'll give you the facts, et cetera. Now I've been told subsequently Buck Revell sent written comments, things of that nature.

Q Were you provided comments by anyone else in writing?

A No. I wasn't. I don't think I showed anybody else in the Department.

MR. SAXON: Who told you Mr. Revell sent in comments?

THE WITNESS: I think subsequently in talking with my colleagues we heard this. You know, did you send anything over. I just bleated about and said they couldn't go with it, that kind of thing. Buck may have told me he sent it, actually.

BY MR. SABA: (Resuming)

Q Did you have occasion to discuss that statement with anyone here?

A Not that I recall.

Q Specifically the Secretary or General Powell?

A No. Powell was gone then, and Admiral Jones was here. But I don't recall it.

MR. SABA: I don't have any further questions.

BY MR. SAXON: (Resuming)

Q Mr. Secretary, I've got what I hope will be a quick line of inquiry along three lines. The first has to do with the contra resupply operation.

A Good.

Q And Colonel North's public testimony.

A I have it right here.

Q Let me have this marked as the next exhibit and show you the pages --

A I trust they are the same pages.

Q It's not the same pages they gave you.

A I trust they are the same pages I got.

(The document referred to was marked Armitage Exhibit Number 25 for identification.)

Q This is his testimony from the afternoon of July 7, 1987.

A I've got it.

Q Do you need a moment to read this?

A No, I do not. I just want to make sure.

Q Are we like Shultz and Weinberger? Are we reading off the same hymnal now?

A Yes, we are reading off the same hymnal.

Q Mr. Secretary, let me direct your attention to page 107 of this transcript at line 2418. Mr. Nields -- let me back up. He had asked Colonel North what various individuals knew about your activities in the contra resupply effort.

A That's right.

Q Mr. Nields: "How about the chief of the Central American task force?" He's going through and asking about particular individuals.

Mr. North: "Oh, I'm sure that he had a detailed grasp of --"

Further down: Mr. Nields: "And what is your basis for that belief?"

Mr. North -- and this is the part relevant to you and I am quoting: "We used to have meetings with the Restricted Interagency Group. We used to have secure conference calls. And on one occasion I can recall laying out for the group -- In fact I think it was after the $100 million had been voted by both Houses, hadn't been sent forward to the President -- I can recall a meeting in an office in the Pentagon where I went down item by item by item the things that I was doing and asked them point blank whether or not I had to continue to do them to keep the resistance alive, because even though the money had been authorized and both bills had been passed, we couldn't get it forwarded to the President.

"And we went down item by item by item on my checklist of what I was having directed out each month or each quarter or each week to support the resistance, and I asked them point blank whether this should continue.

"Mr. Nields: Who was there?"

A I've read it.

Q For the record, in line 2443: [redacted] was there, Mr. Abrams was there, Mr. Armitage was there, I think Mr. Michael was there, I think General Moellering was there.

"Mr. Nields: Would you go through them for us, please, item by item, what it was you told this assembled group you were doing?"

Line 2459, Colonel North says: "These people knew what I was doing. They knew that it was a covert operation being conducted by this government to support the Nicaraguan resistance."

Page 110, line 2472: "Mr. Nields: Did you discuss the resupply operation?

"Mr. North: I think so.

"Mr. Nields: Did you discuss efforts to obtain armaments?

"Mr. North: Probably.

"Mr. Nields: Including munitions?

"Mr. North: I am not absolutely sure it says munitions." He mentions logistics and air support.

Let me just simply ask you first if you recall a meeting of the RIG at which something like that or close to it took place?

A There were two meetings held in my office, one on August 28, one on September 19. They were breakfast meetings.

Q I'm sorry. The dates again?

A August 28 and September 19. They were breakfast meetings.

Q This is '86?

A That's '86. And I paid, and the reason we hosted them here was because we felt in the Department that we weren't up to speed and we wanted to know what was going on in Central America. Number two -- and that's the reason we hosted it here and I took the initiative, and I remember that very clearly.

Number two, we wanted -- the reasons for the discussion of the group were we were preparing to have a passage of the bill by the Congress. We'd have some money and we wanted to determine clearly what each department would do, what would be the responsibilities. And we wanted to start working on the NSDD which was going to be signed out for the President, and subsequently was who would have the lead responsibilities, which agencies would support in what manner.

Attendance at the first meeting on August 28 had, as I recall, John Moellering, myself, Nestor Sanchez, Jim Michael, Ollie North [redacted] I do not believe Elliott Abrams was there. In fact, my record, which I will give you, does not indicate he was there.

The second meeting, September 19, did have those same gentlemen and, in addition, included Elliott Abrams. My recollection and as reported by a memo that I asked Nestor Sanchez to draft up for me to send to the Secretary reporting on this event can be entered in the record. I don't need to go all through it. But its primary thrust has to do with [redacted]

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[redacted]

And my final paragraph to the Secretary says: The group I chaired this morning plans to continue meeting on a weekly or biweekly basis so that we can keep ourselves collectively informed on all developments and be able to provide timely policy guidance to the program. We'll keep you informed and request your guidance or approval as required.

That was for the August 28 meeting. I do not recall Ollie bringing this other stuff up. At a subsequent meeting I have a vague recollection of Ollie talking about humanitarian assistance.

Q By "subsequent" you mean the September 19?

A The September 19. Humanitarian assistance and not an item-by-item list of what Ollie was doing or not doing -- just a general discussion of humanitarian assistance. I would note, however, that my remembrance is the majority and the great bulk of the meeting was taken up on those items I mentioned earlier -- that is, what each department was going to do once we got this money and how would the NSDD be developed. And that's that.

Q Mr. Secretary, I'm not going to try to change

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or tailor Colonel North's testimony to fit the facts so he comes out being right.

A Well, I'm sure he remembers what he remembers.

Q But let me simply say that given people go to lots of meetings and maybe some may go to the Pentagon and some elsewhere, and some people in this group and some not, let me just back up and ask the question a little more broadly.

Do you recall, regardless of what dates, regardless of where it was, regardless of whether it had exactly the players he said -- because he could have gotten all that wrong -- do you recall any meeting at which he did anything close to what his testimony suggests?

A I do not.

MR. SHAPIRO: Counsel, could we have this entered as an Exhibit? Why don't you state for the record what it is?

MR. SAXON: For the record, this is the memorandum to which the Secretary just made reference, and that is a cover note from Nestor Sanchez.

THE WITNESS: To me.

BY MR. SAXON: (Resuming)

Q To you. I'm not sure what the date is.

A It talks about it in the body of the memo.

Q And then in the body of the memo which follows the cover note it is to Secretary Weinberger through Dr. Ikle from Nestor Sanchez.

A It was from me. That was the copy we got from Sanchez in our sweep-up. He has a very clear remembrance of it.

Q And it references the 28 August breakfast meeting to which you just made reference.

A And noted Elliott Abrams was not in attendance.

Q We'll make that the next exhibit.

(The document referred to was marked Armitage Exhibit Number 26 for identification.)

The second matter I want to ask you about has to do with third country solicitation. Do you have any knowledge of [redacted] being solicited for contributions to the contras during the time the Boland Amendment was in effect that cut off U.S. Government funding?

A No, only what I've read in the papers subsequent to the revelations.

Q Were you ever asked by anyone to do any soliciting of [redacted]

A No, I was not.

Q And did you ever do any soliciting?

A I never did any.

Q Do you recall ever hearing Secretary Weinberger state at any time, but particularly in the spring of '85 time frame, saying to you or saying in your presence that he had learned that [redacted] were going to be giving a sizeable amount of money?

A Absolutely not.

Q Do you recall ever telling him that [redacted] were going to be giving --

A Absolutely not.

Q Let me introduce the next exhibit and tell you what it is you are looking at. You are looking at a memorandum for record that John McMahon, the Deputy Director of the CIA, provided after they had had one of their regular breakfast meetings with Director Casey and himself and Secretary Weinberger and Mr. Taft, and it's dated 15 March 1985.

(The document referred to was marked Armitage Exhibit Number 27 for identification.)

A I've read it.

Q Specifically with reference to Mr. McMahon's last sentence, which states: "In closing, the Secretary" -- meaning from the context Secretary Weinberger --

"stated that he had heard that [redacted] [redacted] had earmarked $25 million for the contras in $5 million increments."

Let me ask the questions again with reference to this specifically. Did you ever hear Secretary Weinberger say he had learned that [redacted] were providing $25 million?

A I never did.

Q And you never told him that?

A I never told him that.

Q Did [redacted] ever tell you anything to this effect?

A He did not.

Q And you never solicited him or anyone in [redacted] [redacted] for this?

A Or anyone else, for that matter.

Q And until these matters broke on or about the time of the Attorney General's press conference in November of '86 and subsequent news accounts were done you never knew anything along these lines?

A I don't think I did. I don't recall ever having known it.

BY MR. SABA: (Resuming)

Q Mr. Secretary, had you seen that memo prior to today?

A No. I had heard about it after you guys talked to the Secretary, but I hadn't seen it. I am not briefed and do not get briefed as a matter of course on DCI breakfasts.

Q You are not shown as an addressee on the memo.

A We don't keep a record, and I don't recall ever having been debriefed on a DCI breakfast by the Secretary.

Q Let me ask in the course of your travels in [redacted] did the subject of the [redacted] aid for the contras ever arise?

A Not to my knowledge.

MR. SAXON: Let's go off the record a second.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q Mr. Secretary, it has not been documented with regard to the Richard Secord legal defense fund what the source of the contributions were to which Noel Koch testified on June 23 and which came from Swiss bank wire transfers in the amount of $500,000. I will say that Mr. Martin, the trustee, remaining trustee of that fund, has indicated there is some suggestion at least that these are funds from foreign governments.

Let me simply ask you, number one, whether you have ever made any solicitation on behalf of this fund of any foreign government.

A I have not.

Q And whether you know of any solicitations that have been made of foreign governments for the Secord legal defense fund.

A I do not.

Q And I guess finally for the record do you have any knowledge of the $500,000 that went into this fund?

A No.

MR. SAXON: Mr. Secretary, that's all that I have, and on behalf of the Senate we appreciate your testimony.

MR. GENZMAN: My colleagues have covered the ground, so I have no questions.

THE WITNESS: You are a gentleman and a scholar.

MR. KREUZER: Sir, could I ask one last question?

THE WITNESS: Sure. You can ask as many as you want.

MR. KREUZER: You had lunch on December 3 with Ollie.

THE WITNESS: Yes.

MR. KREUZER: You told Ollie that he made a big mistake. You told him that he was in trouble?

THE WITNESS: No, no. That's not what I told him.

MR. KREUZER: What did you tell him?

THE WITNESS: As I remember, I told him his ass was way out on a limb because I didn't feel that my boss knew this and that George Shultz knew it, and that I thought he was operating solo and that my boss personally was going to hate this, this project talking with the Iranians first and then anything with hostages and Iran.

My boss is just totally opposed to any dealings. Telling him that Weinberger personally would think he was crazy for being involved in this seemed to have the greatest effect on Ollie.

MR. KREUZER: Did Ollie say anything about weapons transfers from Israel in '85?

THE WITNESS: I don't remember him talking about that. I don't recall that.

MR. KREUZER: Thanks very much.

MR. SABA: The House thanks you very much, Mr. Secretary. We have no further questions.

MR. SAXON: Let me say for the record we appreciate this because you have spent two sessions with us in deposition now and a fairly lengthy interview session. We know your time is at a premium. We thank you. It has been very helpful.

THE WITNESS: I'll say on the record the Secretary of Defense set the tone because he said we were going to be cooperative from day one, and I hope you have found that.

(Whereupon, at 6:30 p.m., the taking of the instant deposition ceased.)

____
Signature of the Witness

Subscribed and sworn to before me this ________ day of ________________________, 1987.

____
Notary Public

My Commission Expires: ______________________________

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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12 Dec 86

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Armitage
Ex. # T4
7/22/87 mao

DEFENSE SECURITY ASSISTANCE AGENCY

12 Dec 86

Memo For Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

Gaffney

Dt H.nk [illegible]
695-5459
4E[illegible]

[redacted] Declassified/Released on 11 Feb 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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and all Administrations

-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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[illegible]

Hawk Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 120 missiles at Red River Arsenal - 77 intended for UAE and 43 for Korea. Seven of these are intended for tests, but the tests can be foregone.

- The missiles at Red River Arsenal cost $300,000 apiece. This is not necessarily a firm price, and replacements could cost as much as $437,500 apiece.

- Thus, the total bill for 120 missiles would be $36-52.5 million. To this, applicable charges would have to be added (NRC cost, administration charge, packing and transport charges, plus storage).

- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.

- The modalities for sale to Iran present formidable difficulties:

  -- Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.

  -- Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.

  -- Thus, even if the missiles were laundered through Israel, Congress would have to be notified.

- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.

  -- While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.

  -- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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The political drawbacks are equally formidable

-- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.

-- Saudi Arabia and the other Gulf States would also be irritated and alarmed.

-- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.

-- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.

-- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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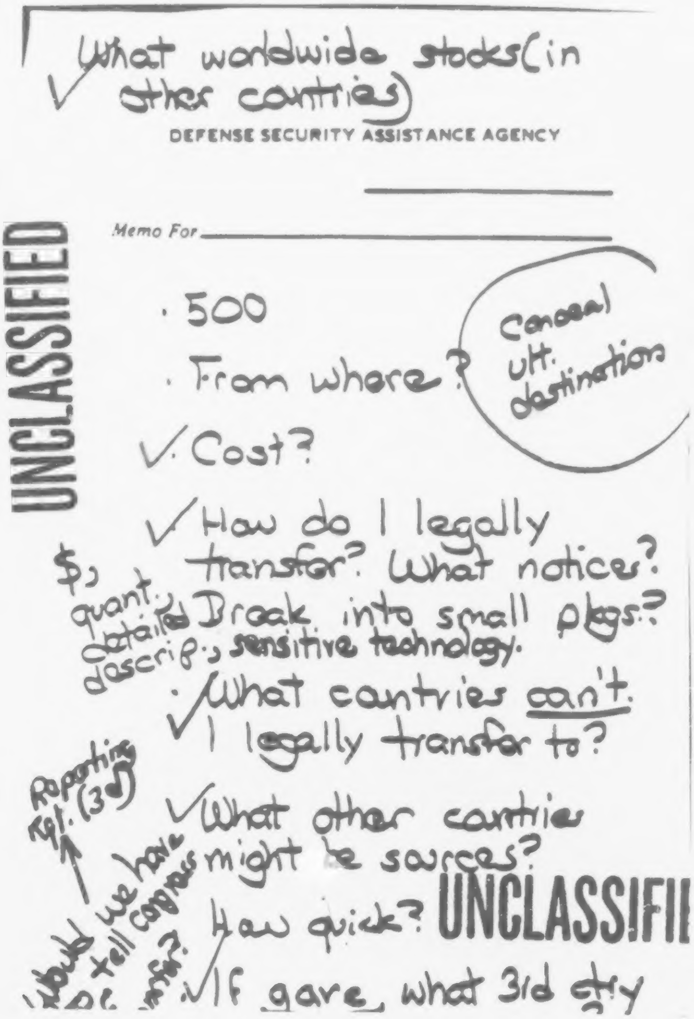

✓ What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

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Memo For

· 500

· From where?

Conceal ult. destination

✓ · Cost?

✓ How do I legally transfer? What notice?

$, quant., detailed descrip., sensitive technology.

Break into small pkgs.?

· ✓ What countries can't. I legally transfer to?

Reporting rpt. (3rd)

✓ What other countries might be sources?

Would we have tell congress transfer?

How quick?

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✓ If gave, what 3rd ctry

[redacted]

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1. Find 'em
2. When available?
3. Notify Congress
4. Prepare LOA

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[redacted]

1. Find bm
2. When available?
3 Notif. .

120
77 UAE produced
43

120
300
36000

146K each

[redacted]

Red River
Arsenal 77 (of which 3 test)
(Texas-Ark) 87 (of which 4)
164 300K

[redacted]

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TAD-88333/18612 [illegible]

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[redacted]

1. 100 to Israel shipped two weeks ago

2. 11 to [illegible] others [illegible]

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STENOGRAPHIC MINUTES
Unrevised and Unedited
Not for Quotation or
Duplication

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See Deposition of Henry Harold Gaffney and Glenn Allan Rudd, p. 1-36.

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

Partially Declassified/Released on 4 Jan 88
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Armitage #16

No Date

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PROSPECTS FOR IMMEDIATE SHIPMENT OF I-HAWK and I-TOW MISSILES

I-HAWK

- There are 164 missiles available at Red River Arsenal--75 intended for UAE and 84 for Korea. The missiles have not yet been lot acceptance tested, but there is a very low risk of failure. The missiles will be at Red River until about April 1986 for testing.

- There would be no impact on the UAE if we ship their 75 missiles. The program has slipped in other ways, and can be accommodated within the normal production lead time for replacement missiles.

- Korea would have to be consulted to ascertain the impact on their program, if it is necessary to ship any missiles in addition to the 75 mentioned above. Procurement lead time to replace Korea's missiles would be about 33 months.

- To the best of our knowledge, all of U.S. Army I-HAWKs are with units and should not be considered from diversion.

- Unit replacement price of HAWK missiles is about $437.7K; total package price for 50 would approximate $22.5M; for 100 about $45M. Package prices include FMS surcharges.

I-TOW

EXHIBIT 2

- Army has about [redacted] TOWs (including 60,000 I-TOW) on hand, against a distribution requirement of about [redacted]. About 12,900 I-TOW missiles are available in CONUS depot stocks.

- Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable. No missiles would have to be taken from troops. Based on the seriousness of the requirement, and keeping in mind that the Army would receive TOW-II replacement missiles, it is likely that the Army would reluctantly acquiesce to immediate shipment of the entire quantity.

- Unit price of the replacement TOW-II missile is about $12,200; total package price would approximate $42M, with FMS surcharges.

- Delivery from production of TOW-II pay back missiles to the Army would occur about the beginning of CY 1988. If necessary--though this is not recommended--approximately 2,000 unallocated TOW-II missiles could be delivered from SDAF to Army in second quarter CY 1987.

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FINALLY, IF MY READING OF THE TEA LEAVES IS RIGHT, A QUICK TRIP TO CENTAM (INCLUDING A VERY BRIEF STOP IN EL SALVADOR - 2b(e)) WOULD HAVE POSITIVE BENEFITS BOTH HERE IN THE STATES AND DOWN THERE SHORTLY AFTER YOU ARE CONFIRMED/ANNOUNCED. PLS ADVISE.

PRIVATE BLANK CHECK

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/04/85 02:02:55
To: NSJMP --CPUA

*** Reply to note of 08/11/85 13:26

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-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Subject: Current Status of Operation Recovery: Following summary is based on discussions in Geneva among Kimche, Copp, Gorbanifahr and [redacted] which were concluded this weekend, subsequent discussions with Wendy Moron here in Washington which are continuing, and calls btwn Copp and Kimche's asset (Nimrodi) who is "baby sitting" the Iranians in Paris (where they are are receiving guidance from Tehran).

The attempted transfer [redacted] of 18 Hawk missiles went awry because the Iranians were in fact seeking a weapons system that would be capable of stopping Soviet reconnaissance flights along the Iranian/Soviet border and on the Iranian/Iraqi border. Gorba rptd that these flights occur regularly and as deep as 90nm inside Iranian airspace. Because Schwimmer and Ledeen were unfamiliar with the operational parameters of the HAWK, they agreed to ship 120 weapons that were totally inadequate to meet the rqmts established by the Iranians. This delivery has created an atmosphere of extraordinary distrust on the part of the Iranians. In Kimche's view, because the credibility of the Gorba/[redacted] mission has probably been seriously called into question.

Despite this perception (Gorba said numerous times that this whole thing was a "cheating game" on the part of the Israelis), Copp & Kimche have been able to proceed with a renewed dialogue which still promises hope for achieving our three objectives:
-- support for a pragmatic - army oriented faction which could take over in a change of government
-- return of the five AMCIT hostages
-- no more terrorism directed against U.S. personnel or interests.

From these ongoing discussions, which in two cases included Iranian military officers, Copp and Kimche conclude that the military situation in Iran is desperate. The Iranian descriptions of the state of their equipment, lack of competent management, inability to use much of the remaining U.S. materiel portends the real possibility of a military collapse (at least by the Army) in the near to mid-term. Thus, there is considerable pressure on the interlocutors in Europe to produce - quickly.

Given the relatively low level of competence on the part of the Iranians in Europe, and the fact that any supplies delivered will undoubtedly have to be examined by an Army or Air Force officer, it is very doubtful that a "single transaction" arrangement can be worked out with the parties in Tehran, no matter what is agreed to in Europe. In short, they have been

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Armitage Ex. #17 7/22/87 mao

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by K. Johnson, National Security Council

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"screwed" so many times in the past that the attitude of distrust is very high on their part. At the same time, in all discussions (including today's phone calls) they are desperate to conclude some kind of arrangement in the next 10 days and have even asked that the meeting [redacted] in London be advanced. Based on what we can conclude [redacted] [redacted] we believe that they are very concerned that the hostages (the only Iranian leverage point besides the Jews in Iran) may be killed or captured/released by the Syrians, Druze, Phalange or Amal in the near future. Waite's contacts with the captors seems to corroborate this assessment. In short, time is very short for all parties concerned.

Finally, there is the matter of the longer term strategy for what we should be attempting to accomplish vis a vis the Iran-Iraq war and a more reasonable government in Iran. From my personal discussions with Kimche and Meron it is apparent the the Israelis want: the war to continue at a stalemate, a more moderate Iranian government in the end and will somehow find a way to continue getting their people (Jews) out of Iran through some kind of barter arrangement. In that the first two of their goals are, it would seem, generally congruent w/ our interests, and their last a fact of life, we should probably be seeing the return of the AMCIT hostages as a subsidiary benefit — not the primary objective, though it may be a part of the necessary first steps in achieving the broader objectives. While Kimche, Meron, Copp and I all agree that there is a high degree of risk in pursuing the course we have started, we are now so far down the road that stopping what has been started could have even more serious repercussions. We all view the next steps as "confidence building" on the part of both sides. None of us have any illusions about the cast of characters we are dealing with on the other side. They are a primitive, unsophisticated group who are extraordinarily distrustful of the West in general and the Israelis/U.S. in particular. They have not the slightest idea of what is going on in our government or how our system works. Today for example, Gorba called Copp in absolute confusion over the fact that Rafsanjani had just received a letter from (of all people) Sen. Helms regarding the American Hostages. Since the Iranians are adamant that they not be publicly connected with the seizure, holding or release of the AMCITs, why, Gorba wanted to know, was Helms being brought into this "solution to the puzzle." Gorba reiterated that "Batri ought to have more control over the members of his parliament" than to allow them to confuse an already difficult problem. Dick told him the letter had nothing to do with what we are about, but Gorba did not seem convinced that this wasn't some sort of effort to embarrass Iran.

Given this very unsophisticated view of things on their part and the distrust that the Iranians obviously feel, we believe that if we stop the current effort at this point and do not at least proceed with a "test" of the current relationship we:

-- run the risk of never being able to establish a "foothold" for the longer term goals in that the people we are dealing with will be totally discredited at home; and
-- incur the greater likelihood of reprisals against us for "leading them on." These reprisals could take the form of additional hostage seizures, execution of some/all of those now held, or both.

While the threat to carry out sanctions against us has not, to my knowledge, ever arisen (it certainly has not since Kimche/Copp/North have been directly engaged -- and Michael never mentioned it), it is interesting to note that when Copp questioned the bona fides of Gorba and his cohorts as capable of delivering on their end of the arrangement, Gorba carefully noted that since these discussions began w/ Michael & Schwimmer, there has not been a single Islamic Jihad bomb threat, hijacking or kidnapping -- and that there would be none if this "worked." R.C., Copp and I regard this to be at least one sign of confidence that this activity may yet prosper. There are some lesser indications of confidence in recent days:

-- in response to Copp's demand for funds to be deposited in advance to defray operational costs, and what the Iranians were told were "purchases on the arms market" a total of $41M has been deposited;
-- the 18 HAWKs delivered last week have been repackaged and are ready for return to origin on the next available flight;
-- the parties in Europe continue to stress that their requirements are long-term and that they are anxious to get on with a longer range program of Israeli originated support which would include technical assistance w/ sophisticated hardware which is critically needed but deadlined (in this regard Gorba at one point noted that at times they have as few as 50 operational tanks and less than a dozen flyable aircraft).

With all of the above as a lengthy preamble describing two nearly frantic weeks w/ the Israelis & Iranians, the following proposal has evolved which the Iranians today said they wd like to discuss in detail on Saturday:

-- The total "package" from the Israelis wd consist of 50 I HAWKs w/ PIP (product improvement package) and 3300 basic TOWs.
-- Deliveries wd commence on or about 12 December as follows:

H-hr: 1 707 w/300 TOWs = 1 AMCIT
H+10hrs: 1 707 (same A/C) w/300 TOWs = 1 AMCIT
H+16hrs: 1 707 w/50 HAWKs & 400 TOWs = 2 AMCITs
H+20hrs: 1 707 w/300 TOWs = 1 AMCIT
H+24hrs: 1 747 w/2000 TOWs = French Hostage

All involved on our side recognize that this does not meet one of the basic criteria established at the opening of this venture: a single transaction which wd be preceded by a release of the hostages. However, given the points above regarding the mutual distrust in the dialogue, we all believe it is about the only way we can get the overall process moving. Measures have been taken to reduce the chance for duplicity on the part of the Iranians and to preserve a measure of OPSEC in carrying out the transaction. In the case of a double cross, one of the Iranians will be in the hands of assets we control throughout. One of the [redacted] has already suffered a serious (though apparently not fatal) heart attack after last week's HAWK transaction failed to produce results. The first two deliveries, via 707 freighters are relatively small and if they do not produce the desired outcomes, all else stops. All 3 are now under our control.

OpSEC concerns are threefold: communications, deliveries enroute to Iran and replenishment of the Israeli stocks. To solve the first problem an OPs Code is now in use by all parties. This code is similar to the one used to oversee deliveries to the Nicaraguan Resistance and has never been compromised. The delivery/flight planning security problem has been solved by a much more deliberate selection of aircraft and aircrews

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as well as a series of transient airfields which can be used enroute to the field controlled by the Iranian Army at Tabriz. Appropriate arrangements have also been made to ensure that the overflight of [redacted] is not challenged. All A/C will be inspected by one of the Iranians at a transient location between Tel Aviv and Tabriz. Before the A/C actually crosses into Iranian airspace, the appropriate release(s) must occur. The last OPSEC concern, that of replenishing Israeli stocks, is probably the most delicate issue. The quantity of TOWs requested represents [redacted] Meron and I are working w/ the Israeli purchasing office in NYC to ensure that the replenishment can be accomplished quickly after December 12 as possible. All recognize that quantiti[redacted] degrade Israeli readiness and that the items will need to be dispatched quickly in order to preclude disaffection and leaks. Meron has solved at least one of the problems in this regard by identifying a means of transferring the required cash to an IDF account which will allow cash (rather than FMS credit) purchases from the U.S.

In order to put this plan into action, Kimche, Copp, Schwimmer and Goode plan to meet in London on Saturday morning to review all arrangements. If we are satisfied that all our assets (money, aircraft, aircrews, transit facilities, overflight arrangements and military equipment) are prepared, Copp and Kimche will meet at another hotel with Gorba and [redacted] to finalize the plan. Our side will then reconvene later in the evening at our hotel to review any last minute changes. I wd then call you (using the Ops code), transmit the agreed upon arrangements for approval and, if you concur, Kimche & Copp will meet again w/ the Iranians on Sunday a.m. to express our agreement with the plan. Copp & Goode wd return to the U.S. Sunday p.m. on separate flights. On the 11th, the day before the plan is to be executed, Copp will establish a CP in [redacted] at the [redacted] controlled airfield [redacted] where he can monitor implementation and stop it at any point we desire. The secondary fields at [redacted] will be covered by Copp controlled assets who are not witting of the true origin, destination or contents of the A/C but who can "fix" things in a hurry if something goes wrong. One of our other people will be in contact i[redacted] throughout.

[redacted]

Once in hand, the hostages will be flow[redacted] to Larnaca on our Navy HH-53) where they will be picked up by a EUCOM C-141 and flown to Wiesbaden for debriefing. When later Oakley will proceed from Andrews AFB to Wiesbaden with family members -- thus allowing us 24 uninterrupted hours for debriefing. The debrief team will be staged at Wiesbaden 12 hours in advance, just as we did two weeks ago without notoriety. Dewey is the only other person fully witting of this entire plan. Copp is not briefed on [redacted] -- though he suspects. The Israelis are in the same position. Dewey and I have been through the whole concept twice looking for holes and can find little that can be done to improve it given the "trust factor" with the Iranians. In that all parties involved have great interest in keeping this as quiet as possible, [redacted] we believe it to be worth the risk. I have not confided in Dewey re the longer term goals

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we could/should hope to achieve. Then, the only parties' fully aware of all dimensions of what we are about are you and RCM.

I have given careful consideration to what you suggested re an RCM meeting with the Iranians in an effort to obtain release of the hostages before starting on an effort to undo the present regime in Tehran. Like you and Bud, I find the idea of bartering over the lives of these poor men repugnant. Nonetheless, I believe that we are, at this point, barring unforeseen developments in London or Tel Aviv, too far along with the Iranians to risk turning back now. If we do not at least make one more try at this point, we stand a good chance of condemning some or all to death and a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying one last time are even greater.

VPRIVATE BLANK CHECK [redacted]

[redacted]

[redacted]

[redacted]

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NSG FROM: NSOLN   --CPUA      TO: NSJMP   --CPUA          12/05/85 20:04:00
To: NSJMP   --CPUA

*** Reply to note of 00/11/85 13:26
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-- SECRET --

[redacted]

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N/C Date
Armitage
Ex. #18
7/22/87 mas

POSSIBILITY FOR LEAKS

There is no good way to keep this project from ultimately being made public. Following are three legal methods together with a brief discussion on the possibility of compromise.

- The President can make a determination, Section 614 of te the Foreign Assistance Act, which would waive the statute which requires the normal Congressional notification under Section 36(b) of the Arms Export Control Act (AECA).

- President must notify the Speaker of the House and the Chairman of the Foreign Relations Committee, provide a written justification, and consult with both the Chairman of the Foreign Relations Committee and the Chairman of the Foreign Affairs Committee. This could be done in a classified, close-hold manner and is the best prospect for eliminating leaks from Congressional sources. However, the problem would come with actually executing a Letter of Offer (LOA) for the material without disclosing to the entire Security Assistance Community that the President had waived the need for Section 36(b) notification (Headquarters Army, USASAC, and MICOM, all are aware of the legal requirement not to process the LOAs without the 36(b) notification process).

- The OSD General Counsel should be asked personally to confirm that Section 614 is legal under these circumstances, since this authority never has been exercised in this way.

- The President could sign an emergency notification under Section 36(b), waiving the formal 30-day notification period. This requires a certification that an emergency exists, and the reasons therefor. While this notification would be classified, the distribution of the Section 36(b) notice is much broader than would be true for the Section 614 determination mentioned above. Additionally, the Security Assistance Community would have to be informed that the President had made the emergency determination and waived Section 36(b) before the LOA could be prepared and issued. There would be no good explanation as to why an emergency would exist for this country's purchasing the missiles.

- The last option, if time permits, would be to treat the sale as a routine unclassified action under Section 36(b). This would require the full 50-day notification period (including the 20-day informal notice) for Congressional review. Both systems are in the inventory of the country involved, and it is possible that the notification would flow through without question. This almost certainly would be true for I-HAWKs in the quantity contemplated; the I-TOW quantities might or might not cause speculation.

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- A further potential problem is associated with legalities of the third country transfer provisions of the Arms Export Control Act. One provision indicates that we will not authorise a third country transfer to a country we do not sell to ourselves. Another requires the third country to sign further retransfer assurances. Under the circumstances, though, these provisions probably can be overcome or deferred.

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15 MAY 86
No 1
5/26/86 - Tues
[illegible]

RICHARD LEE ARMITAGE
ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

Richard L. Armitage was sworn in as the Assistant Secretary of Defense for International Security Affairs on 9 June 1983.

Mr. Armitage represents the Department of Defense in formulating and developing the politico-military relationships between the United States and other countries of the world, excluding NATO-member countries. As such, he is responsible for the military aspects of U.S. policy pertaining to these countries. Among his many duties are supervising DoD's security assistance programs, oversight of DoD activities relating to law of the sea and oversight of policies concerning U.S. special operating forces and counterterrorism.

Born in 1945 in Boston, Mr. Armitage attended high school in Atlanta and graduated in 1967 from the U.S. Naval Academy where he received a commission as an Ensign in the U.S. Navy. After graduation he was assigned to a destroyer which was stationed on the gunline off Vietnam conducting naval gunfire support operations.

After three incountry tours as part of the riverine forces in Vietnam, he left the Navy in 1973 to accept a position with the U.S. Defense Attache' Office in Saigon, primarily as a Naval and Marine Corps advisor. Immediately prior to the fall of Saigon, he effected the removal of naval assets and personnel.

In May 1975, he returned to the Pentagon as a consultant and subsequently served in Tehran on the staff of the U.S. Defense Representative, Iran. From 1976 to 1978, he pursued private business interests. In March 1978, he became Administrative Assistant to Senator Robert Dole of Kansas, a position he left in May 1979 to establish a Washington-based consulting firm specializing in Asian affairs.

Mr. Armitage worked in the Foreign Policy office of the Reagan presidential campaign and later was named as a member of the National Security Transition Team. He was a senior advisor to the Interim Foreign Policy Advisory Board charged with preparing the President-elect for major policy issues which would confront the new administration. From 1981 until assuming his present position, Mr. Armitage was Deputy Assistant Secretary of Defense, International Security Affairs for East Asia and Pacific Affairs.

Mr. Armitage is a member of the Association of Asian Studies and the World Affairs Council.

He lives in Fairfax, Virginia, with his wife Laura, four daughters, Elizabeth, Lee, Jenny and Alice and two sons, Paul and Chris.

~~Partially Declassified/~~Released on 11FEB88
~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

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15 May 1986

19 JUN 87

STENOGRAPHIC MINUTES
Unrevised and Unedited
Not for Quotation or
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HSITS 0097 /87

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Armitage
Ex. #20
7/22/87 mas

DEPOSITION OF GENERAL COLIN L. POWELL

Friday, June 19, 1987

U.S. House of Representatives,
Select Committee on Investigate Covert
Arms Transactions with Iran,

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by K. Johnson, National Security Council

Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

5097

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he was giving me. And I don't sense that he gave me much more -- or recall that he gave me much more guidance than that. I didn't need much more.

Q And the reference to the Economy Act is the question of, I take it, of the pricing of the missiles and the --

A It was more than that. It was an indication that we were providing a service to the Central Intelligence Agency.

MR. LIMAN: I am correct that the only way you can sell to the CIA is under the Economy Act?

THE WITNESS: That is my understanding, but I would need to get a lawyer --

BY MR. SABA:

Q How did the number change to 4,508?

A Some time over the next week -- and I can't quite recall how -- either from the Secretary or one of my NSC interlocutors. It might have been Admiral Poindexter or Colonel North, I really don't recall. Or it might have been that the CIA told the Army, once I put them in touch with each other, that the number was up to 4,500, and I became aware of it, it came back to me, and I confirmed it with the -- let the Secretary know about it, and there was no objection, and it was at that point that I realized that -- well, I have answered your question.

Q I am trying to understand where the extra 508

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came from.

A The number that was given to me was 4,000, and sometime in a very -- within the next week or two, that number was increased to 4,500. And whether it was 4,508 or not, I don't know. I just recall it being 4,500.

Q But you wouldn't have increased that on your own?

A On my own? Oh, no.

MR. LIMAN: He said that it came from either the Secretary or from the NSC.

BY MR. SABA:

Q And you don't know.

MR. LIMAN: And you understood that it might have come --

THE WITNESS: As a matter of information, once I talked to General Thurmond, and he put me in touch with the logistics people in the Army, General Russo, at that point I put General Russo in touch with the CIA and from then on in I was in nothing but a mongering role.

MR. LIMAN: Is this when you learned that the 500 were to be used to replace earlier shipments to Israel?

THE WITNESS: Yes. It was at that point that things clicked, and I said -- I started to find out about the other 500, I just realized at that point that a transfer must have taken place and this is the replenishment of some kind.

AS-18

BY MR. SABA:

Q Did you share your view on these 500 with anyone?

A I can't specifically state, but I would be willing to speculate that Mr. Armitage's testimony and the Secretary's would also recognize and corroborate that, too. And we all at that point realized -- I might have learned it from Armitage. I just don't recall.

Q Did you have any instruction or any understanding that this -- the filling of the order should bypass their [redacted] system?

A No. The [redacted] system was not something the Secretary would have recognized as a system. And lots has been made of bypassing of the [redacted] system, but I don't think I bypassed the [redacted] system. I took it to the top of the [redacted] system. General Thurmond sits in the Army at the top of the [redacted] system. And when I go to General Thurmond as a tasking, I did not in any way restrict how he accomplished it other than to tell him that it should be kept to the smallest number of people possible.

My understanding is that he then turned to Colonel [redacted] who was his [redacted] officer, if I am correct, and so I don't sense that we bypassed the [redacted] [redacted] system.

It wasn't used, but it wasn't bypassed in any deliberate, in any conscious kind of way.

7 Jul 87

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Armitage
Ex. #27
7/22/87 MAS

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Oliver L. North

Tuesday, July 7, 1987
Afternoon Session

House Select Committee to Investigate
Covert Arms Transactions with Iran

and

Senate Select Committee on Secret Military Assistance
to Iran and the Nicaraguan Opposition
Washington, D.C.

[redacted] Declassified/Released on 11SEPT88
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minutes.

[Recess.]

Chairman INOUYE. The hearing will please come to order.

Mr. Nields.

Mr. NIELDS. Thank you, Mr. Chairman.

Colonel North, I asked you before we broke about a number of particular individuals and whether they were aware of the Hawk shipment in November of 1985. Are there any other officials of the United States Government who were aware of the Hawk shipment in November of 1985?

Mr. NORTH. I think I have given you the list that I believe to have been aware.

Mr. NIELDS. Were any officials at the Department of Defense aware that 18 Hawk missiles or some number of Hawk missiles had actually been shipped by Israel to Iran?

Mr. NORTH. Again, I believe that they may have--excuse me, I believe they may well have been, because I think I made several efforts to coordinate with them the replenishment of the Hawks. I think I had a discussion, if I remember properly, with DOD officials about both Hawks and TOWs. I wouldn't be asking them about Hawks if they hadn't already been ordered up as a need for replenishing.

You know, I am a little concerned I am leaving the wrong impression, because I honestly think that all of us who were engaged in this activity were looking for the right way of doing things, that there was no intent to avoid, to in any way violate the Arms Export Control Act, and that if there was confusion within the DOD over how I was going about it, it was because of my own ignorance in not knowing the right way to start, and I want to come back to the finding issue as to why we arrived at using the Economy Act procedures for that whole business.

Much of the confusion that may exist out there may have simply been because when this kid was told to find a way to replenish things, I didn't know how to go about doing it, and, in fact, it wasn't until the latter part of January that a real methodology was proposed.

Mr. NIELDS. I just want to make sure. My question simply is: Who in the Department of Defense was told that there had actually been a shipment, if anybody?

Mr. NORTH. An unrefreshed, long-time-ago memory would tell me that I probably talked about that delivery with Mr. Koch, possibly with General Powell, possibly with Mr. Armitage.

1 JAN 86

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Wed 1 Jan 86

Armitage
Ex. #22
7/22/87 mas

Holiday

Thursday, 2 Jan 86

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5099

0600 - In
0700 POAC
0815 - Return
0830 - SD Staff Mtg
0910 - Return W/ Dr Dale
0930 - Lt Gen Gorden
1000 - Capt Chuck Le Moyne
1030 - Richard Aliano, AP Radio - Hanoi Trip
1045 - Andy Senbora
1115 Marvin Feuerwerger
1215 Interview re Hanoi by AP Radio, Richard Aliano
1230 - Lunch W/ adm Jones

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Cont, Thursday, 2 Jan 86

1320 - David Bertram
1350 - To see Mr Koch
1400 - Lt Col John Cole, Asst Army Attache, Thailand
1500 - [redacted]
~~1600~~ -
1545 - Dave Tarbell
Jim Auer, John Kelley
1600 - BBC Telephone Interview, Mike ~~[illegible]~~ Shields
1630 - Gen Gast
1645 Jim Kelley
1650 Gen Gorden
1745 - Jim Kelley

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[redacted]

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Friday 3 Jan 86

0600- In
0700- PIAC
0830
0830 Sanchez
0840 Pelletreau
0845 - Kelly
0900 - Depart for National
1000 - Depart for Bangkok

Fri 10 Jan 86

0113 Return to Natl

3-10 Jan 86

Bangkok Hanoi

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Armitage
Ex.#23
7/22/87 mas

Monday, 11 Nov 1985 - Holiday

15-23 November 1985 - Germany, Bahrain, Pakistan

Thursday, 28 Nov 1985 - Thanksgiving

Monday, 16 Dec 1985 - 1440 Departed for Dover, Ceremony for airplane crash victims

Tuesday, 24 Dec 1985 - Departed at 1300

Wednesday, 25 Dec 1985 - Holiday

Tuesday, 31 December 1985 - 1000 Departed

Wednesday, 1 January 1986 - Holiday

Friday, 3 Jan - Fri, 10 Jan 86 - Bangkok, Hanoi, Hong Kong

14-18 January 1986 - Japanese SSC, Honolulu

Monday, 20 January 1986 - Holiday

Sun, 9 Feb - Mon, 17 Feb 1986 - Mid East (Cairo, Jordan, Israel)

31 Mar - 13 Apr 1986 - Korea, Japan, Philippines, Thailand, Australia, Honolulu

[redacted] Declassified/Released on 10 FEB 88
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No Date
UNC

Armitage
Ex. #24
7/22/87 mas

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
INTERNATIONAL SECURITY AFFAIRS
AFRICA REGION

[redacted]

✓ MEMO FOR

TOW discussed separately w/ Rudd & Gaffney in Dec.

[redacted]

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5101

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✓ TOW paper worked in 24th [illegible], meanwhile [illegible] Rudd has copy.

Original was 3000. definitely [illegible] in stock.

No way to keep transfer secret. [illegible] said little possibility of covert way to do the [illegible].

Thompson finally [illegible] attached notice [illegible] if we forced to waive Sec. 36B (notice to Hill)

CIA purchase (Thompson [illegible]) [illegible] x Sec. / Replace w/ TOWs [illegible]

UNCLASSIFIED

EXHIBIT
DoD-R

7 Jul 87

Armitage Ex. #25
7/22/87

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JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Oliver L. North

Tuesday, July 7, 1987
Afternoon Session

House Select Committee to Investigate
Covert Arms Transactions with Iran
and
Senate Select Committee on Secret Military Assistance
to Iran and the Nicaraguan Opposition
Washington, D.C.

5102

~~Partially~~ Declassified/Released on 11 FEB 88
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by K. Johnson, National Security Council

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knowledge of my day-to-day activities like my superiors did, but certainly they knew that I was the guy that was getting things done.

That's why they called me up, that's why there is a note to the effect that, hey, Ollie, you know, here these guys from Country whatever it is are talking about $2 million, why don't you go over and put the smile on them, maybe they'll kick in.

Mr. NIELDS. How about the chief of the Central American task force?

Mr. NORTH. Oh, I'm sure that he had a detailed grasp of--well, I say a detailed grasp--I'm sure that he had an adequate sense of what I was doing.

Mr. NIELDS. And what is your basis for that belief?

Mr. NORTH. We used to have meetings with the Restricted Interagency Group, we used to have secure conference calls, and on one occasion I can recall laying out for the group--in fact, I think it was after the $100 million had been voted by both Houses, hadn't been sent forward to the President--I can recall a meeting in an office in the Pentagon where I went down item by item by item the things that I was doing and asked them point blank whether or not I had to continue to do them to keep the resistance alive, because even though the money had been authorized and both bills had been passed, we couldn't get it forwarded to the President.

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And we went down item by item by item on my checklist of what I was having directed out each month or each quarter or each week to support the resistance, and I asked them point blank whether this should continue.

Mr. NIELDS. Who was there?

Mr. NORTH. Well, I would have to look at my contemporaneous note at the time, but I think there is a note in one of the notebooks I gave you to that effect.

Mr. Fiers was there, Mr. Abrams was there, Mr. Armitage was there, I think Mr. Michael was there, I think General Moellering was there.

Mr. NIELDS. Would you go through them for us, please, item by item, what it was you told this assembled group you were doing?

Mr. NORTH. What I'm saying is I didn't say, look, on a given day I'm going to walk out and go talk to so and so about so much money. What they knew is that I was the person who was causing these things to happen. There was no doubt in their mind.

That is why, when an airplane goes down in Honduras, they call me to get the bodies home and to pay the costs. That's why, when somebody needs something done, in the case of this contact right here you pointed out as part of Exhibit No. 79, they called me.

These people knew what I was doing. They knew that it was a covert operation being conducted by this Government to support the Nicaraguan resistance.

RPTS DOTSON

DCMN GLASSMAP

Mr. NIELDS. My question is, you indicated that during this meeting at the Department of Defense, at the Pentagon, you went down item by item. Would you go down for us item by item what it is you told them?

Mr. NORTH. I don't have the list before me. I gave copies of that to you. It is in the stuff that I gave to you, seven binders full.

Mr. NIELDS. Did you discuss the re-supply operation?

Mr. NORTH. I think so.

Mr. NIELDS. Did you discuss efforts to obtain armaments?

Mr. NORTH. Probably. I am talking about aid to the internal opposition, food, medical supplies, et cetera. I think it was all on that list, tick, tick, tick, tick, tick.

Mr. NIELDS. Including munitions?

Mr. NORTH. I am not absolutely sure it says munitions, it might have just said logistics, air support, it might have just said certain things about the internal activities. You have got it, along with the list of names of people that were there at the meeting.

Mr. NIELDS. Is there anything else you can recall ticking off during this meeting?

Mr. NORTH. No, but you have the note, and I am sure you

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D C 20301-2400

INTERNATIONAL
SECURITY AFFAIRS

Armitage
Ex. #26
7/22/87 mas

In reply refer to:
I-24078/86

MEMORANDUM FOR THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS

SUBJECT: Nicaraguan Democratic Resistance Aid Package (S)

(S) Attached per your request is a memorandum for the Secretary on this morning's breakfast.

Nestor
Nestor D. Sanchez
Deputy Assistant Secretary of Defense
Inter-American Affairs

Attachment
a/s

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by K. Johnson, National Security Council

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THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D.C. 20301-2400

INTERNATIONAL
SECURITY AFFAIRS

In reply refer to:
I-24078/86

MEMORANDUM FOR THE SECRETARY OF DEFENSE

THRU THE UNDER SECRETARY OF DEFENSE FOR POLICY

SUBJECT: Nicaraguan Democratic Resistance Aid Program (S)
-- INFORMATION MEMORANDUM

(S) I chaired a breakfast meeting this morning, 28 August, of a select interagency group which will oversee the implementation of the $100 million program to support the Nicaraguan Democratic Resistance. Attending the meeting were James Michel, State, representing Elliott Abrams, [redacted] CIA, Oliver North, NSC, LtGen John Moellering, OCJCS, and Nestor Sanchez.

(S) [redacted] briefed us on the current state of play.

[redacted]

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(S) The group I chaired this morning plans to continue meeting on a weekly or biweekly basis so that we can keep ourselves collectively informed on all developments and be able to provide timely policy guidance to the program. We will keep you informed and request your guidance or approval, as required.

Prepared by: Nestor D. Sanchez
DASD(ISA)IA/75884

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Meeting w/Secretary and Deputy
Secretary Defense 15 Mar 85

Armitage
Ex. #27
7/22/87 mas

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15 March 1985

MEMORANDUM FOR: THE RECORD

SUBJECT: Breakfast with Secretary and Deputy Secretary of Defense, 15 March 1985

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[redacted]

7. Question of the support to the Contras came up. The Director noted that we should have another meeting on it but following last week's meeting of the LSG we tended to be leaning towards non-lethal aid. I described the assignment given to Motley to develop different options which could be packaged and then played against Senators Lugar and Durenberger to see what combination of options in a single package might be acceptable to Congress. But I noted at the meeting that there was no agreement that we would be limited to non-lethal aid. The Director said that McFarlane was to meet with Lugar and Durenberger today. In closing the Secretary stated that he had heard that [redacted] had earmarked $25 million for the Contras in $5 million increments

John N. McMahon

cc DDI
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Exec. Sec.
Exec. Registry

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THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-2400

INTERNATIONAL
SECURITY AFFAIRS

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Ikle forwarded
version at TAB B
which was signed
by SecDef

13 JUL 1985 D 576

Ex. Armitage #2
Tues - 5/26/87
[illegible]

MEMORANDUM TO THE UNDER SECRETARY OF DEFENSE FOR POLICY

SUBJECT: US Policy Toward Iran (S)

(TS) I agree with nearly all your changes and have revised the memorandum from Secretary Weinberger to Bud McFarlane accordingly. However, I recommend against several of your changes and would like you to consider the following:

-- First, I agree with you that what we're really looking at is a "post-Khomeini" Iran and there is very little chance we can establish good relations with Iran as long as Khomeini is in control. At the same time, I don't think we want to give the impression in this paper that we should wait until Khomeini passes from the scene before doing anything. It's possible that Khomeini may live for several more years but be in such a senile state that he is no longer in control (similar to the latter years of Mao Zedong). Under such circumstances, we may be able to influence moderate elements of the regime and begin to achieve some of our long-range objectives before Khomeini dies. &

-- Second, I left in the recommendation to keep pressure on our allies to cease transferring military equipment to Iran. Although we have had some successes to date, maintaining (if not strengthening) our initiative is one of the few actions we can take to try to bring an end to the Iran-Iraq war. And if the war were to end, many of the pressures causing Iran to seek Soviet assistance would cease. Therefore, I believe we should not omit this initiative.

(TS) Attached are two versions of the memorandum. At Tab A the memorandum does not specify "post-Khomeini" when it refers to recommended actions and it contains the recommendation to lean on our allies to stop selling arms to Iran. The memorandum at Tab B is exactly the way you marked up the draft. Recommend you forward Tab A.

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[illegible]
[illegible] to CWW
Armitage
[illegible]

& This is, of course, something you want to consider in the context of any CWW concern - [illegible] "post K" we may [illegible] be successful - [illegible]

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THE SECRETARY OF DEFENSE
WASHINGTON, THE DISTRICT OF COLUMBIA

D 579

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: US Policy Toward Iran (S)

(TS) This memorandum responds to your request for comments on the draft NSDD on US-Iranian relations. While I agree with many of the major points in the paper, several of the proposed actions seem questionable. Moreover, it is extremely difficult to consider an explicit revision of our policy toward Iran as long as we continue to receive evidence of Iranian complicity in terrorist actions and planning against us. I do not believe, therefore, an NSDD should be issued in the proposed form.

(TS) I fully support the policy objective that "our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence." If we are successful, of course, this will put us in a better position to realize a longer-term goal of having at least neutral/non-hostile relations with Iran. Under no circumstances, however, should we now ease our restriction on arms sales to Iran. Attempting to cut off arms while remaining neutral on sales to either belligerent is one of the few ways we have to protect our longer-range interests in both Iran and Iraq. A policy reversal would be seen as inexplicably inconsistent by those nations whom we have urged to refrain from such sales, and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence. It would adversely affect our newly emerging relationship with Iraq.

(TS) There are other actions, however, some of which are implied in the draft NSDD, that we could take now under our current policy to try to prevent an increase in Soviet influence and to lead toward a more moderate post-Khomeini Iran:

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by K. Johnson, National Security Council

Intelligence

-- Improve US intelligence gathering capabilities in the areas of weakness identified in the SNIE, especially with regard to collecting information on the [redacted] Emphasis should be on identifying key players in the political arena who may be more favorably disposed to US concerns in the region.

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-- Given better information from intelligence sources, seek ways to establish contacts with "moderates" [redacted] who play important roles in the administration of Islamic rule but who also favor policies more favorable to US and Western interests. The intelligence community should develop a strategy and tactics for providing political and financial support to these "moderates."

Political

-- Through contacts with allies and friends, we should discreetly communicate our desire for correct relations to potentially receptive Iranian leaders based on their renunciation of state-supported terrorism, their willingness to seek a negotiated settlement to the Iran-Iraq war, their non-interference in other states' affairs, and their cooperation in settling US-Iranian claims in the Hague Tribunal.

-- Maintain our neutrality in the Iran-Iraq war while encouraging third party initiatives to end the conflict and increasing political-military cooperation with Gulf Cooperation Council countries.

-- In light of recent evidence that our allies continue to permit sporadic transfers of militarily useful equipment to Iran and that negotiations may be taking place between commercial firms and Iranian officials, we should increase the pressure on our allies by considering public statements and possible sanctions.

Public Diplomacy

-- Our public statements on Iran should bring pressure to bear squarely where it is needed--on the current Iranian regime. In tone, our public position must avoid casting Iran as a country and the Iranian people and culture, as well as Shia Islam, as the enemy, but should emphasize opposition to the policies of the present Iranian government and the corrupt mullahs inside the government. Our statements should aim to encourage those elements in Iran who disagree or oppose regime policies.

Economic

-- A full range of US export controls are already in effect. [redacted] We should reassess the effectiveness of present controls in curbing all but strictly civilian exports.

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-- In conjunction with discreet political contacts proposed above, we could suggest to the Iranians that correct relations would include relaxation of current US trade restrictions and normal trade relations with an Iranian government that is not hostile to US interests.

(TS) I concur with the balance of the recommendations in the draft NSDD in so far as they support current US policy. My recommendations reflect my very strong view that US policy must remain steadfast in the face of international lawlessness perpetrated by the Iranian regime. Changes in policy and in conduct, therefore, must be initiated by the Iranian government. By remaining firmly opposed to current Iranian government policies and actions, yet supportive of moderation and a longer term improvement in relations, we can avoid the future enmity of the Iranian people and develop the leverage necessary to counter a possibly very dangerous increase in Soviet influence. In particular, we need to be prepared for a possible period of turmoil as the regime begins to change, by building up effective instruments of influence and access to people and organizations within Iran, so as to counter a Soviet attempt to promote a pro-Soviet successor regime.

cc: Secretary Shultz

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WASHINGTON, THE DISTRICT OF COLUMBIA

D 583

July 1985

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: US Policy Toward Iran (S)

(TS) This memorandum responds to your request for comments on the draft NSDD on US-Iranian relations. While I agree with many of the major points in the paper, several of the proposed actions seem questionable. Moreover, it is extremely difficult to consider an explicit revision of our policy toward Iran as long as we continue to receive evidence of Iranian complicity in terrorist actions and planning against us. I do not believe, therefore, an NSDD should be issued in the proposed form.

(TS) I fully support the policy objective that "our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence." If we are successful, of course, this will put us in a better position to realize a longer-term goal of having at least neutral/non-hostile relations with post-Khomeini Iran. Under no circumstances, however, should we now ease our restriction on arms sales to Iran. Attempting to cut off arms while remaining neutral on sales to either belligerent is one of the few ways we have to protect our longer-range interests in both Iran and Iraq. A policy reversal would be seen as inexplicably inconsistent by those nations whom we have urged to refrain from such sales, and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence. It would adversely affect our newly emerging relationship with Iraq.

(TS) There are other actions, however, some of which are implied in the draft NSDD, that we could take now under our current policy to try to prevent an increase in Soviet influence and to lead toward a more moderate post-Khomeini Iran:

Intelligence

-- Improve US intelligence gathering capabilities in the areas of weakness identified in the SNIE, especially with regard to collecting information on the [redacted] Emphasis should be on identifying key players in the political arena who may be more favorably disposed to US concerns in the region.

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-- Given better information from intelligence sources, seek ways to establish contacts with "moderates" [redacted] who play important roles in the administration of Islamic rule but who also favor policies more favorable to US and Western interests, and develop tactics for providing political and/or financial support to those elements opposed to Khomeini and the radicals.

Political

-- Through contacts with allies and friends, we should discreetly communicate our desire for correct relations to potentially receptive Iranian leaders based on their renunciation of state-supported terrorism, their willingness to seek a negotiated settlement to the Iran-Iraq war, their non-interference in other states' affairs, and their cooperation in settling US-Iranian claims in the Hague Tribunal.

-- Maintain our neutrality in the Iran-Iraq war while encouraging third party initiatives to end the conflict and increasing political-military cooperation with Gulf Cooperation Council countries.

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-- Our public statements on Iran should bring pressure to bear squarely where it is needed--on the current Iranian regime. In tone, our public position must avoid casting Iran as a country and the Iranian people and culture, as well as Shia Islam, as the enemy, but should emphasize opposition to the policies of the present Iranian government and the corrupt mullahs inside the government. Our statements should aim to encourage those elements in Iran who disagree or oppose regime policies.

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-- A full range of US export controls are already in effect. [redacted] We should reassess the effectiveness of present controls in curbing all but strictly civilian exports.

-- In conjunction with discreet political contacts proposed above, we could suggest to the Iranians that correct relations would include relaxation of current US trade restrictions and normal trade relations with a post-Khomeini Iran that is not hostile to US interests.

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(TS) I concur with the balance of the recommendations in the draft NSDD in so far as they support current US policy. My recommendations reflect my very strong view that US policy must remain steadfast in the face of international lawlessness perpetrated by the Iranian regime. Changes in policy and in conduct, therefore, must be initiated by a new Iranian government. By remaining firmly opposed to current Iranian government policies and actions, yet supportive of moderation and a longer term improvement in relations once the regime has changed, we can avoid the future enmity of the Iranian people and develop the leverage necessary to counter a possibly very dangerous increase in Soviet influence. In particular, we need to be prepared for a possible period of turmoil as the regime begins to change, by building up effective instruments of influence and access to people and organisations within Iran, so as to counter a Soviet attempt to promote a pro-Soviet successor regime.

Signed
CWW

cc: Secretary Shultz

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20 NOV 86

11/20/86 2000
(Historical Chronology)

Armitage No. 3 Tu-5/26/87

N 30363

~~U.S.~~/IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

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Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

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-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have been engaged in overtures to the U.S. and Iran in an effort to stimulate direct contact between the two countries. [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In the spring of 1985, a private American citizen (Michael Ledeen) learned from an Israeli government official (David Kimche) that the Israelis had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the Iranian officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

On July 3, 1985, during a visit to Washington, an Israeli official (Kimche) advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high-level dialogue. The Iranians were described as comprising the principal figures of the government (i.e., Speaker of the Majlis Rafsanjani, Prime Minister Musavi, and Khomeini's heir-apparent, Ayatollah Montazeri) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli as to why he found the Iranian proposal credible, given the events of the past six years. The Israeli replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks. He noted that the Iranians had exposed themselves to possible compromise by meeting with Israelis and by passing extremely sensitive intelligence on the situation (and political line-up) within Iran -- information which was proven valid.

The Israeli asked for our position on opening such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This decision was passed to the Israeli diplomat by telephone on July 30.

On August 2, 1985, the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that they recognized the need for both sides to have tangible evidence of the bona fides of the other and that they believed they could affect the release of the Americans held hostage in Lebanon.

According to the Israeli, the Iranians separately stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of U.S. equipment. The Israeli asked for our position on such actions.

Mr. McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that, while he could understand that assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible material; at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military material. This was conveyed to the Israeli.

On August 22, 1985, the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the U.S. Government would be to an Israeli transfer of modest quantities of defensive military material. McFarlane replied that to him, such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the U.S., but that a problem would arise when ultimately they needed to replace items shipped. He asked whether Israel would be able to purchase replacements for items they chose to ship. McFarlane stated that the issue was not the ability of Israel to purchase military equipment from the U.S. -- they had done so for a generation and would do so in the future -- but rather the issue was whether it was U.S. policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the Director of Central Intelligence). The President stated that, while he could envision providing material support to moderate elements in Iran if all the Western hostages were freed, he could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplomat.

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

In late September, we learned that the Israelis had transferred 508 TOW missiles to Iran and that this shipment had taken place in late August. The Israelis told us that they undertook the action, despite our objections, because they believed it to be in their strategic interests. The Israelis managed this entire operation, to include delivery arrangements, funding, and transportation. After discussing this matter with the President, it was decided not to expose this Israeli delivery because we wanted to retain the option of exploiting the existing Israeli channel with Tehran in our own effort to establish a strategic dialogue with the Iranian government. The total value of the 508 TOWs shipped by Israel was estimated to be less than $2 million.

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed Buckley; he had in fact died several months earlier of [redacted] causes. We have since substantiated this information [redacted] Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In mid-November, the Israelis, through a senior officer in the Foreign Minister's office (Kimche), indicated that the Government of Israel was convinced that they were nearing a breakthrough with Iran on a high-level dialogue. The Israeli contacted a U.S. official (North) and asked for the name of a European-based airline which could discreetly transit to Iran for the purpose of delivering passengers and cargo. He specifically noted that neither a U.S. carrier nor an Israeli affiliated carrier could be used. We were assured, at the time, that the Israelis were going to "try oil drilling parts as an incentive," since we had expressed so much displeasure over the earlier TOW shipment. The name of the proprietary [redacted] was passed to the Israeli, who subsequently had the aircraft chartered through normal commercial contract for a flight from Tel Aviv to Tabriz, Iran, on November 25, 1985. The Israelis were unwitting of the CIA's involvement in the airline and the airline was paid at the normal commercial charter rate (approximately $127,700). The airline personel were also unwitting of the cargo they carried.

In January, we learned that the Israelis, responding to urgent entreaties from the Iranians, had used the proprietary aircraft to transport 18 HAWK missiles to Iran in an effort to improve the static air defenses around Tehran. Our belated awareness that the Israeli's had delivered HAWK missiles raised serious U.S. concerns that these deliveries were jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. As a consequence of U.S. initiative and by mutual agreement of all three parties, these missiles were returned to Israel in February 1986.

On December 7, the President convened a meeting in the White House (residence) to discuss next steps in our efforts to establish direct contact with the Iranians. Attending the

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meeting were the Chief of Staff, Secretaries of State and Defense, the Deputy Director of Central Intelligence, and the Assistant to the President for National Security Affairs and his Deputy. Immediately after the meeting, Mr. McFarlane departed for London to meet with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane, as instructed by the President, stated that:

-- the U.S. was open to a political dialogue with Iran, but that no such dialogue could make progress for as long as groups seen as dominated by Iran held U.S. hostages; and

-- the U.S. could under no circumstances transfer arms to Iran in exchange for hostages.

These points were made directly to the Iranian interlocutor. The Iranian replied that, unless his associates in Tehran were strengthened, they could not risk going ahead with the dialogue. Mr. McFarlane acknowledged the position but stated we could not change our position. In a separate meeting with the Israeli official, Mr. McFarlane made clear our strong objections to Israeli weapons shipments to Iran. Following these meetings, Mr. McFarlane returned to Washington and shortly thereafter left active government service.

On January 2, the Prime Minister of Israel dispatched a special emissary to the U.S. (Amiram Nir) to review proposals for next steps in dealing with Iran. The Israelis urged that we reconsider the issue of providing limited defensive arms to those attempting to take power in Tehran, since all other incentives (economic assistance, medical supplies, machine parts) were of no value in shoring-up those who wanted an opening to the West. Admiral Poindexter noted our stringent objections to the HAWK missile shipments in November and noted that the U.S. would have to act to have them returned (a step undertaken in February, when all 18 missiles were returned to Israel). In that any implementation of the Israeli proposals would require the active participation of the intelligence community, the NSC Staff (North) was tasked to prepare a covert action finding. Work on this Presidential finding commenced on January 4.

On January 6, the President, the Vice President, the Chief of Staff, and the National Security Advisor and his assistant reviewed the first draft of the Finding and the recommendations made by the Prime Minister of Israel through his special emissary.

On January 7, the President met in the Oval Office with the Vice President, the Chief of Staff, Secretaries Shultz and Weinberger, Attorney General Meese, Director Casey, and the National Security

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Advisor to discuss the overall situation in Iran and prospects for a strategic dialogue. It was again noted that Mr. McFarlane, on return from his trip to London, had recommended that no further action be taken unless a mechanism could be established by which the U.S. could exert better control over events. He agreed, in principle, with Director Casey that providing limited quantities of defensive arms after the hostages were released still had merit. Both Secretary Shultz and Secretary Weinberger objected to any provision of arms, citing that we could not be sure that these would really help moderate elements and that, if exposed, the project would not be understood by moderate Arabs and would be seen as contravening our policy of not dealing with states that support terrorism. The President decided that we should attempt to keep the Israeli channel active as long as it offered possibilities for meetings with high-level Iranian officials and left open the issue of providing defensive arms to Iran if all the hostages were released.

It was further determined by the President that any dialogue with the Iranians must be aimed at achieving the following goals:

-- Devising a formula for re-establishing a strategic relationship with Tehran.

- Ending the Iran-Iraq War on honorable terms.

- Convincing Iran to cease its support for terrorism and radical subversion.

- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

The President made clear that a Western dialogue with Iran would be precluded unless Iran were willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages. Secretaries Shultz and Weinberger retained their original position on providing any amrs to Iran, but Attorney General Meese and Director Casey both supported the concept as a valid means of opening the dialogue. Attorney General Meese noted a 1981 determination by then Attorney General French Smith that transferring small quantities of arms through third countries under a Covert Action Finding was not illegal.

On January 16, a meeting was held in the National Security Advisor's office with Secretary Weinberger, Attorney General Meese, Director Casey, and CIA General Counsel Stanley Sporkin. At this meeting, the final draft of the Covert Action Finding was reviewed and was forwarded to the President with Secretary Weinberger dissenting.

On January 17, 1986, the President approved a Covert Action Finding (Tab A) directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. The President futher determined that the activities authorized by the Finding justified withholding prior Congressional notification due to the extreme sensitivity of the dialogue being established. He further noted that public knowledge of the program would place the American hostages in Lebanon at greater risk. Noting his concern for the lives of those carrying out the operation (both U.S. and foreign), he directed that the Director of Central Intelligence refrain from reporting the Finding to the appropriate committees of the Congress until reasonably sure that those involved would no longer be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted] a representative of the Israeli Prime Ministry [redacted], and a senior-level Iranian official [redacted] met in London. At this meeting, the Iranians agreed that, if the USG would provide defensive weapons (TOWs) to Iran, they would, in turn, provide same to the Afghan Mujahideen. The U.S. side agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

-- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.

-- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.

-- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, $3.7 million was deposited in the CIA account in Geneva on February 11, 1986 and on February 14, 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DOD (U.S. Army stocks in Anniston, Alabama) and transported through [redacted] using standard CIA-DOD [redacted] logistics arrangements. Policy-level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George). The TOWs were placed in a covert Israeli facility awaiting onward shipment.

On February 19-21, U.S. (NSC and CIA), Israeli and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the Iranians committed [redacted] After coded authorization was received from Washington, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft. On return flight from Iran, these aircraft carried the 18 HAWk missiles which Israel had sent to Tehran in November 1985 wit USG aforeknowledge.

[redacted]

On February 24, U.S. (CIA and NSC) officials met again in Frankfurt with the Israeli and Iranian officials to discuss n steps. At this meeting, the U.S. side urged that the Iranian expedite a meeting among higher-level officials on both sides

On February 28, the Prime Minister of Israel wrote to Preside Reagan (Tab B) urging continued efforts to achieve a strategi breakthrough with Iran, but asking consideration for the safe of recently seized Israeli hostages.

On March 7, U.S. (CIA and NSC) and Israeli representatives me with the Iranian intermediary in Paris to determine whether a further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us through the Israeli point-of-contact that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals.

[redacted]

On May 6, 7, 1986, U.S. and Israeli officers met in London with the Iranian intermediary in which he urged that we take immediat steps to arrange for a high-level U.S./Iranian meeting in Tehran During the London meeting, the Iranian urged that we (U.S. and Israel) act urgently to help with Iranian air defense. He emphasized that the Iraqi Air Force was increasingly effective c late and that the Iranians were desperate to stop attacks on population centers. The Israelis also used this opportunity to privately ask the U.S. to replace the 508 TOWs which they had sent to Iran in August, 1985.

Based on assurances that we could at last meet face-to-face wit top-level Iranian officials, on May 15, the President authorize a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors. The Israelis were informed via coded message on May 15 that the U.S. had agreed to the Iranian request for limited anti-air defense equipment and to replenish the 508 TOWs sent by Israel.

On May 16, the Iranians, through the Israelis provided $6.5M for deposit in the CIA secure funding mechanism. The funds were used to acquire 508 TOW missiles (for replenishing the TOWs Israel shipped in September 1985) and acquiring HAWK missile electronic spare parts. This material was subsequently moved to [redacted] repackaged and shipped to Kelly AFB for onward movement to Israel on May 22. As in the February shipment, the CIA provided logistics support for the movement of this materiel to Israel.

In order to ensure operational security, the McFarlane trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] -- obtained from the CIA -- was used. CIA also provided covert transportation support from CONUS to Israel for the McFarlane party. The group was transported from Israel to Tehran aboard an Israeli Air Force 707 with false flag markings.

In the course of the four-day (May 25-28) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab B), which had been reviewed and approved by appropriate Cabinet officers, ?? McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan and the Soviet threat to the Gulf) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the Western hostages in Lebanon.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

On August 3, the remaining three pallets (less than ¼ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran. As in all flights to/from Iran this delivery was made with an Israeli Air Force aircraft (707) using false flag markings. Timing of the delivery was based on coordination among U.S., Israeli and Iranian officials.

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of the January Covert Action Finding, made contact in Europe with [redacted] [redacted] [redacted] of a senior Iranian official (Rafsanjani). With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided assessments designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. The assessments also detailed the Soviet threat to Iran.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted]

The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] The Iranians have also offered to provide a copy of the 400 page interrogation of Beirut Station Chief William Buckley. At this meeting, Ali stated that there was a "very good chance that another American or two would be freed soon." On October 29, with U.S. acquiscence, Israel provided Iran with an additional increment of defensive weapons (500 TOW missiles).

Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of an American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this would be part of the purpose of the Iranian Foreign Minister's visit to Syria -- an event we became aware of on November 1, 1986. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating[redacted] On November 2, David Jacobsen was released by his captors near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran and subsequent public speculation regarding these contacts have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a purposely distorted version of the May 1986 McFarlane mission in his November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Ayatollah Montezari, for acts of terrorism and treason has caused further internal conflict.

Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their

[redacted]

On November 7, the day after a meeting with U.S. officials, Iranian government authorities arrested six other individuals involved in radical activities. Among the two were senior military officers and a Majlis deputy (Ahmad Kashani), the grandson of Ayatollah Kashani, a conspirator in the 1949 attempt against the Shah.

Despite these internal difficulties and attendant publicity in the Western media, the Iranians continue to maintain direct contact with the USG and met again in Geneva on November 9-10 with NSC and CIA representatives. [redacted] the two principal Iranian contacts continue to communicate with the U.S. [redacted] On [redacted] "positive statement" will be made in the near future by Rafsanjani. [redacted] Both [redacted] have warned that further disclosures could harm them personally and the longer-term interests of the two countries.

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We do not know who seized the last three American hostages in Beirut (Messrs. Reed, Cicippio, and Tracy). The Islamic Jihad Organization (IJO) has disclaimed responsibility -- as have our Iranian interlocutors. [redacted]t is possible that these three Americans were kidnapped at the direction of Iranian radicals loyal to the now imprisoned Mehdi Hashemi. If so, this could be an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the pragmatic faction with which we have been in contact.

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 U.S. TOWs and 235 HAWK missile electronic spare parts was undertaken within the provisions of a Covert Action Finding.

During the course of this operation -- and before -- the U.S. was cognizant of only three shipments from Israel to Iran. Specifically:

-- The Israelis acknowledged the August 1985 shipment of 508 TOWs after it had taken place. Until we were advised by the Israelis, and had the information subsequently confirmed by Iranian authorities, we were unaware of the composition of the shipment. We subsequently agreed to replace these TOWs in May of 1986.

-- The November 1985 shipment of 18 Israeli HAWK missiles was not an authorized exception to policy. This shipment was retrieved in February 1986 as a consequence of U.S. intervention.

-- The October 1986 shipment of 500 TOWs from Israel to Iran was undertaken with U.S. acquiescence. These TOWs were replaced on November 7.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

-- CIA communications officers and an annuitant to assist in various phases of the operation.

-- Sterile overseas bank accounts for financial transactions.

-- A secure transhipment point for the dispatch of U.S. military items from the U.S.

-- Transhipment of military items from the U.S. to Israel.

-- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.

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-- Cleared meeting sites in Europe for meetings with Iranian officials.

-- Fabricated and alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and material provided under this program were judged to be inadequate to alter either the balance of military power or the outcome of the war with Iraq. They have, however, demonstrated the U.S. commitment to Iranian territorial integrity and served to support those in Iran interested in opening a strategic relationship with the U.S. U.S. efforts over the last 18 months have had tangible results on Iranian policy:

-- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).

-- Iranian direction that the hijacked Pan Am #73 would not be received in Iranian territory if it left Karachi.

-- [redacted]

-- The release of three American and at least two French hostages.

-- The initiation of an Iranian dialogue with their regional neighbors.

-- Continued delay in the Iranian "final offensive."

Finally, it must also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

All appropriate Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of our Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

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Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

30380

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date January 17, 1986

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DOCUMENTS
N30381 —
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Exhibit # Armitage 4 D 9971
Golorowitz
TN-5/26/87

Testimony of Mr. Richard L. Armitage,
Executive Level IV, Social Security Number
[redacted] Assistant Secretary of Defense
(International Security Affairs), Office of the
Secretary of Defense, Washington, DC 20310,
Ph: [redacted] taken at Room 4E808, Pentagon,
on 24 December 1986 from 0937 to 1016, by
COL Ned Bacheldor and COL James O Morton.

Partially Declassified/Released on 11FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

COL MORTON: It is now 0937, 24 December 1986.

The persons present are:

5086

The witness, Mr. Armitage; the investigating officers, Colonel Morton and Colonel Bacheldor.

We are located in room 4E808 in the Pentagon.

This is an official investigation concerning the sale and/or transfer of missiles, spare parts and other related equipment to selected Middle Eastern countries. It is being conducted at the direction of The Secretary of the Army.

Sir our report will be classified Secret [redacted]

MR. ARMITAGE: I understand.

COL MORTON: I want to explain to you a unique aspect of Inspector General activities. An Inspector General is a confidential investigator and fact finder for the commander. Information obtained in a report prepared by the Inspector General are for the use of the directing authority or higher authority as they deem appropriate. Testimony which you give can be used in the Department of the Army for official purposes. It is Department of the Army policy to keep such information and reports on a closely held basis. However, in some instances there may be public disclosure of Inspector General material as required by law and regulations. Normally, however any release outside the Department of the Army requires the approval of The Inspector General and in such cases release when unavoidable will be kept to the minimum necessary.

Upon completion of the interview I will ask you whether you consent to the release of your testimony to requests from members of the public. Your lack of consent does not mean that your testimony will not be released if it is required by law. However, no release will be made until the office of The

Exhibit 17 UNCLASSIFIED EQUIRED (ARMITAGE)

D 9972

Inspector General has reviewed your testimony to determine if release is required.

Any questions sir?

COL MORTON: Shaking head no.

MR. ARMITAGE: No.

COL MORTON: During the course of this interview you will be asked to furnish personal information. The Privacy Act since 1974 requires that when you are asked to furnish personal information you be informed of the authority for that and other required information. The statement I handed you earlier serves that purpose. Sir, have you read and do you understand the Privacy Act of 1974?

MR. ARMITAGE: I understand it, and I have read it.

COL MORTON: Very good. Your testimony will be recorded and may be transcribed so that an accurate record can be made available to the directing authority.

You are not suspected of any offense under federal code, nor are you the subject of any prejudicial information, nor an offense under local law. However, I am not advising you of the rights of which such a person is entitled. If you do become a suspect for any reason during our interview, I will tell that you are a suspect and inform you of your rights. However, I would like to advise that you do not have to answer any questions, the answer to which may tend to incriminate you. Any questions, sir?

MR. ARMITAGE: I have no questions.

COL MORTON: Would you please rise so I may swear you in?

(The witness, Mr. Richard L. Armitage, was duly sworn.)

COL MORTON: Please be seated.

BY COL MORTON:

Q. Sir, please state your full name and grade.

A. Richard Lee Armitage, Executive Level Four, Assistant Secretary of Defense, International Security Affairs.

Q. And Social Security Number?

A. [redacted]

BY COL BACHELDOR:

D 9973

Q. Sir, could you start by giving us a general description of what you know about the incident on the missile transfer or Hawk repair parts transfer?

A. Yes. To do that I will have to go back to around June of 1985. Approximately in middle of June 1985, the Secretary of Defense received a draft National Security Decision Directive which was sent to us, sent to George Shultz, under a memorandum signed by Bud McFarlane. And the thrust of this decision, or draft decision directive, was an opening to Iran, and some ways in which an opening to Iran might be explored. In this particular NSDD draft, was a line which suggested that one way of generating cooperation with the Iranians was the sale of U.S. equipment to Iran. The Secretary of Defense received this memo, scribbled a note in his own handwriting on it, to the effect that this is absurd, and he thought that there was very little chance of developing a relationship with the present leadership and that indeed it would be like asking Qaddafi to come to Washington for a cozy lunch. He additionally sent that draft up to me for comments, which would then be sent back over the Secretary's signature to Bud MacFarlane. I did up some comments for the Secretary, the thrust of which was we would be willing to enter dialogue with Iran, we understood the strategic importance, but we thought that post-Khomeini was the time to do it, number one, and under no circumstances could we conceive of arms sold by the United States, or indeed lifting of our embargo. That response to MacFarlane's draft went over, in my memory, roughly July of 85, and I didn't hear any more about this idea, until the end of November (telephone rings-off tape)

COL MORTON: Back on tape, sir. You were talking about the reply went back in the July time frame.

MR. ARMITAGE: Yea, yea. Roughly July, we sent the reply back to Mr. McFarlane over the Secretary's signature and heard no more.. uh, about this until late November. I was on travel in the Middle East, Pakistan I believe. Came back and I had several discussions with my State friends. We were seeing rumors of arms transfers to--to uh, Iran, possibly from Israel. I say rumors, no confirmed intelligence, but speculation on it. Also, I believe that the Secretary of Defense had indicated that (portion of text deleted) that he was suspicious that some people in the White House had been dealing with Iranians. Armed with that suspicion of the Secretary, I nosed around the administration and finally got to Lieutenant Colonel Ollie North, and asked him if he knew anything about it, and he admitted to me that he had been meeting with Iranians in Europe. I expressed to him my surprise at this, and said to him that my boss, the Secretary, would be horrified at this news, and my own personal view that Ollie was way out on a limb and we'd better get uh, all the um uh President's advisors in the same room and figure out who's doing what to whom. I don't know if that caused an eventual meeting in December or not, but for whatever reason around December 7th, Saturday December 7th, there was a meeting held with the President and I know for sure that my boss and Secretary Shultz were there and I can't say definitively who else was there. But at that time arms for Iran were discussed. The Secretary came back and basically indicated that he thought that the baby had been strangled in the cradle. In other words this idea was going nowhere. I heard nothing until Dec - January. In early January, again approximately the 7th of January, there was another meeting-- with the President. The Secretary of State and the Secretary of Defense were there. The uh Attorney General was there, I believe the Vice President was there and Mr. Poindexter was there. I can't say who else. In which the arms to Iran idea was discussed again, and Mr. Shultz and Mr. Weinberger were adamantly opposed, and I can only assume were eloquent in their opposition for all sorts of reasons, to include legalities. I know the Secretary of Defense was very suspicious that this might not be legal. Uh, he came back from the meeting and did not indicate, the Secretary came back from the meeting and did not indicate that any decision had been made. I believe it's correct to say that he came away from that meeting thinking no decision had been reached. ..Some time in approximately late January, ..Colin Powell, however, informed me that he had been instructed by the Secretary to move, ..have the Army move, weapons under an Economy Act transfer, to the CIA, so it was clear to me at that time that a decision had been reached sometime after the January 7th meeting and that it had gone against the Defense Department's point of view. And that is we were now to supply these weapons. All General Powell told me, as I remember, is that he was doing this as a courtesy and because he had the Secretary's permission to let me know that basically our policy advice had been overridden. And he informed me the Secretary told him to prepare the Basic TOWs, have the Army prepare Basic TOWs for shipment to the CIA, and his, the only two points he made to me about it was that he did talk to General Thurman ..and that he uh, the Secretary uh, was not, was very unhappy, ..with this development, but the Secretary had said that an Economy Act transferred to the CIA, and, my words, but the thrust was that the department was to lose no money on the sale, that's my words.

COL MORTON: Did he give you numbers sir?

MR. ARMITAGE: I know the numbers now. I can't remember that he gave me the numbers. Uh, I can't remember that, but I know he told me weapons. And I can't remember if he said radars or not. I know now (COL MORTON: Sure.) uh, I must say just for the record, some of these events are over a year and half old so my memory is a little hazy, and then in preparation for testimony over the last four or five weeks I've become a lot smarter on this issue than I ever thought, so occasionally my remembrance might run together with what I know, you know after the public uh announcement.

COL BACHELDOR: It was alleged in the, in falls, that NSC had discussed numbers of weapons, of monies available possibly uh throughout the fall and it had gone back and forth.

MR. ARMITAGE: I have--

COL BACHELDOR: Were you aware of any of that sir?

MR. ARMITAGE: Well I am from subsequent discussions that General Powell said he had discussions about numbers and weapons to me, and I'm aware of this subsequent to public revelations. I wasn't aware of it at the time. There was one discussion--and I want to say November or December, but I was gone and General Powell had to get some pricing information from DSAA and I think was the HAWK missiles and the Defense Security Assistance Agency gave him the information on HAWK missiles, and when I came back DSAA had made me aware that they had provided to General Powell some information on HAWK missiles. My best remembrance is November/December 85 on that.

COL MORTON: Earlier sir, I believe you said the COL, General Powell said the Secretary directed him to ship Basic TOWs.

MR. ARMITAGE: That's what I said.

COL MORTON: Okay. It was the Secretary's decision on the type of TOW then.

MR. ARMITAGE: Uh--well that's how I remember it (COL MORTON-right sir) that the Secretary said we're going to go Basic TOWs whether he said vanilla TOWs or Basic TOWs, I don't know. The Secretary told me now subsequent to all this, in the last several months, he told me that, when I asked him in preparation for testimony, who told him to do it, he said well it was the President. Whether it was the President through Poindexter, or the President himself, I don't know, but that's what the Secretary told me. Uh, whether General Powell said to me TOWs or basic TOWs-- it wouldn't have made any difference to me (COL MORTON-yes sir) because any weapons was, you know we lost our virginity, I was appalled at it all.

COL MORTON: But to your best recollections you knew of no specific number nor a dollar amount available.

MR. ARMITAGE: No. My, I know I -- I have a specific recollection of item. I know nothing about dollar amounts. And I don't think that I know specific amounts of missiles though General Powell might have told me. He's a very thorough man. He probably did, but it didn't mean anything.

COL BACHELDOR: Based on your current position or any position you've her, held sir, would you have any idea what a TOW would cost or might cost.

MR. ARMITAGE: I know what a TOW is and I've seen 'em in combat, uh so I know exactly what it is. I have no idea what it costs. In fact, had never had a discussion of money involving this issue

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myself, involving this issue, other than the discussions I had with people like LTC Armbright and all as I prepared for testimony and I had to learn what we paid.

Q. General Powell mentioned uh that he in fact tasked the Army, and as you stated to talk to General Thurman. Did he at any time talk about any other tasking or any other discussions with you--again I can give you a name, General Russo was the Army point of contact.

A. He, yes, he told me, now this is after the fact, he's told me that he's had many discussions with General Russo about uh the TOW shipments. He said he had many many conversations with Russo. Now I learned that subsequent.

COL MORTON: Was the subject the price sir or do you know the subject.

A. I, I can't say the subject. It was about the shipment and about the transfer but whether it was price, he has told now, General Powell told me more recently in the last month or so that he was quite sure that General Russo would have a clear remembrance that Powell had said don't lose any money on the deal. Uh, now that, but I've learned all that in the last month or so. Month and a half.

COL BACHELDOR: In any of your discussions with General Powell would you have, uh, determined the feeling that the Army was having difficulty establishing a price or maybe being inept. Or have you..?

A. No, I, I got none of that. It was never indicated to me. And other than the conversation along the lines that basically the policy decision went against us and uh, we're gonna provide these weapons to the CIA and eventually in some manner they're gonna go to Iran. Uh, I wasn't involved. And sporadically during the year I heard either from Vice Admiral Jones or Mr. Taft that there were other shipments. But I think this is probably the only discussion I had with General Powell.

Q. You mentioned one discussion with uh, Colonel North. Did you ever again discuss this issue with Colonel North.

A. I discussed this issue with Colonel North on numerable occasions, in that, when I say this situation, or discuss this issue, arms to Iran and hostages. I felt that it was impossible to distinguish to the public, or indeed in my mind where we were selling arms to Iran for strategic dialogue or for hostages. I thought it was anathema, and I told Ollie every time that I had an opportunity privately, that I thought that this was a bad bad policy and it was bad business and we ought to be out of it. (COL BACHELDOR-Alright sir.) I never did talk to Ollie, in my recollection about pricing or anything, and I know that I never had a conversation with anyone in the Army about this until I started talking with Lieutenant Colonel Armbright, in preparation for my testimony, once things were made public.

Q. Sir, what do you know, in general, about the requirement for a government agency to notify Congress if the arms are provided to--in the intelligence arena.

A. My understanding was that the receiving agency had to notify and that's all I know. I know what would happen under the Arms Export Control Act if we made a foreign military sale. And those notifications, uh I was concerned about an arms embargo to Iran, uh, I expressed those concerns to the Secretary and indeed I'm under the impression that he expressed those concerns to the President. But regarding an intelligence transfer, I was under the impression that any notifications had to come from the receiving U.S. government agency. Because they were the ones that ultimately would make the transfer.

Q. Were you aware at the time of a dollar threshold?

A. No. Uh, though I am aware of a dollar threshold on the Arms Export Control Act, regarding Foreign Military Sales. I was not and am not now aware of a dollar threshold of a for a covert program.

Q. What is the arms uh what is the dollar threshold for a... roughly sir?

A. I think its roughly fourteen million for a major end item or fifty million per sale. A bunch.

Q. Are you aware of any discussion of between the Army and DOD reference notification of Congress. And more specifically, I'll tell you there is (MR. ARMITAGE - Yes.) a one million dollar notification requirement.

A. Fine, one million? (COL BACHELDOR - Yes sir) I was not aware of that, but I have in conversations with General Powell... subsequent to this thing becoming public, plus my own preparation and looking at Army materials, aware that the General Counsel of the Army had some reservations. And had expressed these. General Powell, in Frankfurt, one of my trips to Frankfurt, when we were discussing this issue recently, told me that he remembers receiving from the Army, and he wasn't sure who, the memo that had some concerns, and that he fired that over to John Poindexter. And this is what General Powell told me probably six weeks ago. I, in going through Army material, reviewed a Susan Crawford memo, it was a one page memo I think to the Secretary of the Army, and I had that sent down to General Powell in General Doctor's office the other day. I said is this the one (COL MORTON - Yes sir, we got that) -- Is that the one by the way?

COL BACHELDOR: No sir it is not. According to General Powell. I've talked to General Brown and he is again looking uh and

General Powell has said (MR. ARMITAGE - I can't believe the Army doesn't have a copy somewhere. I know the U.S. Army.) Well we're at a loss too sir. Uh and we're looking hard. General Powell is going to try to help us after the thirty-first (MR. ARMITAGE - Oh, I'm sure he will). Sir, um did you talk to anyone in the CIA reference this matter?

MR. ARMITAGE: Reference arms (COL BACHELDOR - Reference arms to Iran, sir) I talked uh, no prior, prior to the decision being made. In the Terrorist Incident Working Group, Operational Subgroup, that's called the OSG of the T-WIG, which I sit, there have been general discussions with Dewey Claridge. I've had general discussions about how we, the Department, meaning the Secretary did not like this policy of arms to Iran. Those were the only...(COL MORTON - That was before the decision was made..) No after. (COL MORTON - Mr. Claridge) Yea, Dewey Claridge, of the CIA. Generally the only, the topic was only that the Department didn't like this, thought it was bad business.

COL BACHELDOR: You mentioned that in the summer/fall of 85 you heard rumors, maybe even later than fall, but you heard some rumors of possible transfers to Iran (MR. ARMITAGE - Yea!). Were you ever able to substantiate those rumors?

MR. ARMITAGE: Well we were hearing from Arab countries a lot. Saying that Israel's selling all kinds of things to Iran. Uh, we'd see some intelligence about reports of Israeli shipments. I hadn't substantiated it, however in my testimonies recently I have had occasion to testify with Mr. Casey and others, and I've learned a hell of a lot that we didn't know then, and among the things that I've learned is that apparently TOWs were shipped from Israel, as well as HAWK missiles from Israel, to Iran. And it is alleged that someone in the U.S. government gave permission for these third country transfers. And the Secretary of Defense didn't know about it and his Assistant Secretary of Defense for ISA didn't know about it and I can assure you the Secretary of Defense would have opposed it.

Q. It appears obvious based on your comments, sir, that you didn't know it before, but now do you know what Iran paid Israel for the shipment of TOWs? The first shipment.

A. I don't know what Iran paid Israel, yet I know what the CIA was charged by the Army. This is what I do know. I do not know what Iran actually paid Israel, or if they paid Israel. (COL MORTON - The Army's..)(COL BACHELDOR - Sir, I'm referring to..)

COL BACHELDOR: To set the record straight I'm referring to the potential shipment that we're talking about in the fall of 85.

MR. ARMITAGE: Yea, you're talking about the 508 TOW missiles. I heard in testimony on the Hill, I believe Mr. Casey, he indicated that there was a shipment in August or September of 85 of 508 TOW missiles from Israel. It's the first I've heard of it. I have no, I have no knowledge.

COL BACHELDOR: Our source sir, for that information is the, is the Washington Post, but that is the source that I was talking about. I was talking about that source, that shipment and any possible pricing.

MR. ARMITAGE: I learned about that in my Hill testimony. Mr. Casey said that, I believe it was Casey, that there was a shipment... in August or September, September strikes me as the date, of TOW missiles.

Q. In all of this discussion, preferably prior, but any discussion was there any talk about the ultimate recipient, we know Iran now, but the ultimate recipient having trouble paying for anything that they would get?

MR. ARMITAGE: I didn't have any discussions like that, and I didn't hear it. Occasionally

(portion of text deleted)

I'd see references to uh bitching about money, payments. But, and I didn't understand .. the context, and in many cases didn't understand (portion of text deleted) because there were different names used . Things of that nature. So, I think I am content to say I had no idea what was being charged for the weapons to Iran, how the procedures of payments were being handled, and even the existence of Swiss bank accounts.

COL MORTON: You mentioned earlier sir, you didn't know a specific price that we were charging the agency, but did you know that there was...

MR. ARMITAGE: No, I know now of the specific price. Of course I did not at the time.

COL MORTON: But previously? But was there any pressure to keep the price down .. that you know of?

MR. ARMITAGE: Not by me.

Q. Did you know of any such pressure?

A. I didn't know of any. Uh, and I know I was asked on the Hill .. was there any pressure from OSD, and I could only repeat what I've been told by General Powell and by the Secretary subsequently, that is the instructions were Economy Act and don't lose money. To the CIA only. Don't have anything to do with transferring to another country or another uh middle man or agency other than the CIA.

COL BACHELDOR: Do you have any idea sir, if the Army knew the ultimate destination for the equipment?

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MR. ARMITAGE: I am under the very strong impression that they did not know. Impression. Whether the Chief of Staff of the Army, General Wickham, might have eventually known because of a discussion he had with Mr. Taft in the April/May time frame I can't speak, but the Army as far as the guys who were making the arrangements, I'm under the impression they ^ad no idea where it was going.

Q. Did you get involved at all in the transfer of the, or correction, the request for HAWK missile parts. Mr. Taft handled that through General Wickham, were you involved at all sir?

A. No, I was travelling with the Secretary of Defense in Asia, and we were informed about it subsequently. I only found out much more recently that Mr. Taft had spoken to General Wickham about it. As we were trying to, in a discussion I had with Mr. Taft, to determine who knew what in the building, and he, Mr. Taft indicated that he had had a discussion with General Wickham, so General Wickham knew something. How much I can't say.

Q. Sir, when we talked to General Powell he specifically indicated, based on his knowledge and timing when he left, that it would be important for us, or thought it would be important for us to talk to you and, uh, Admiral Jones. Based on your knowledge sir do you think it would be beneficial for us to talk to Mr. Taft.

A. Yes, uh, I think this is Army and the Chief of Staff apparently had a conversation with Mr. Taft and I think you should.

COL BACHELDOR: Jim I have no other questions.

COL MORTON: Okay there was one thing....I think we had a glitch on these numbers and dates here.

COL BACHELDOR: Uh, no Jim, I can answer that question. Mr. Armitage and I were discussing missiles shipped from Iran to Israel in the fall of 85 (MR. ARMITAGE - no from Israel to Iran) (COL MORTON - Israel to Iran) I'm sorry Israel to Iran in fall of 85.

COL MORTON: Is it coincidental that the five oh eight(508) is the same number?

COL BACHELDOR: It may be coincidental.

MR. ARMITAGE: Come on guys. Look...take Casey testified, I can't remember which area I've had so many, that a shipment went in the fall, and I or summer, and I think September, of five hundred and eight TOW missiles,.. from Israel to Iran. I would maintain that the Department of Defense at least, one didn't know about that shipment and number two the Secretary of Defense would if he were asked, he would not have given permission for it. I know that. But Israel did it. And there is an open discussion whether the President did nod and say Israel could do it or not. In my preparations for my hearings I had to become aware of what the numbers of missiles and spare parts and all were. Five hundred and eight seemed like a strange shipment to me (COL MORTON - Yes sir.). I didn't know why it was sent either. Why would five hundred and eight basic TOW missiles be called for, why not five hundred or six hundred or five ten(510). It became apparent to me, however, based on what I heard Casey say, that that five hundred and eight number went to Israel and not to Iran, to repay five hundred and eight which previously had gone from Israel to Iran. Do I make sense?

COL BACHELDOR: Well, no sir. Now you... I understand exactly what you said (MR. ARMITAGE - That's my impression). Let me, let me restructure the Army's involvement as we know it. The Army's involvement, as we know it, started in January of 1986, and we shipped initially a thousand, later five hundred and eight, and then the last shipment of five hundred (MR. ARMITAGE: Right). Are you now saying that the middle shipment of five hundred and eight went to Israel for repayment or are you saying there is another five hundred and eight shipment.

MR. ARMITAGE: I'm speculating that that's what happened. That that five hundred and eight, the coincidence is so great, it seems to me that there's a very high probability that that five hundred and eight, whichever shipment it was, that the Army transferred to the CIA, eventually ended up in Israel (COL MORTON - For repayment?). For replay, or replenish Israeli stocks for five hundred and eight that they sold previously. I don't know that. But the numbers...

COL BACHELDOR: And no one has said that.

MR. ARMITAGE: Pardon me?

COL BACHELDOR: You have drawn that conclusion...

MR. ARMITAGE: I draw that conclusion because the numbers sure look kind of striking.

COL MORTON: That's why I asked. Is it coincidental, but there's a reason?

MR. ARMITAGE: It seems to me, but I don't think the Army would know that at all. And there's no reason the Army should know it.

COL BACHELDOR: That would help, if that were true though sir because we have the same question. Why five hundred and eight?

MR. ARMITAGE: The same .. I never .. I had the same question, but it doesn't seem to me from your guys point of view to make a tinkers damn difference. You were doing what you were told under

Economy Act provision to the CIA. The CIA was the ones who knew the ultimate disposition. I can't say and I couldn't testify (COL MORTON - Sure.) that I know those five hundred and eight ended up in Israel. But I'd have to say that it seems mighty suspicious that the numbers (COL MORTON - Yes sir.) are the same. If you see what I mean? But for the Army's purposes. I can't imagine that has any real relevance to the Army .. itself. You were transferring to the CIA which you were being paid .. over.

COL BACHELDOR: It gives us one more alternative to provide to Mr. Marsh as to why the number five oh eight(508)...

MR. ARMITAGE: Yes indeed, and that's the only thing I can offer...

COL BACHELDOR: And we've been searching for that, and in that context sir your comments are very helpful because we did not have that information.

MR. ARMITAGE: Now that's .. I would not and could not swear that Israel made the shipment, but Mr. Casey thinks they did. Made a shipment prior, in the summer.

COL BACHELDOR: See we've heard pallet loads, plane loads uh all kind of reasons for five hundred and eight, so it again one more piece of the puzzle.

MR. ARMITAGE: Well I think that, I hope that's helpful, but that, I'm under that impression that Israel was repaid by the CIA for a prior shipment. Impression.

COL BACHELDOR: No further questions.

COL MORTON: Sir you mentioned the need for a higher classification...

MR. ARMITAGE: Well I'm talking about (portion of text deleted)

COL BACHELDOR: I know what the classification is.

COL MORTON: (portion of text deleted) covers it?

COL BACHELDOR: (portion of text deleted)

COL MORTON: Okay, you can read me on.

MR. ARMITAGE: Now .. are we

COL BACHELDOR: He has...

MR. ARMITAGE: And then I want a question for you and you may want to turn the mikes back on.

COL MORTON: Okay sir. Sir do you have any further information, statements or evidence to present concerning the matters under investigation.

MR. ARMITAGE: Umm...

COL MORTON: That would be beneficial to us.

MR. ARMITAGE: Well I've tried to think, in the testimonies, in the give and take and the questions from the Hill, you learn a lot. Huh, I'm trying to think of the Army's involvement...

COL BACHELDOR: I do have a question for you.

MR. ARMITAGE: I don't know of anything... let me complete the following then I'll be glad to answer. I don't know of anything that might be relevant to the Army, I have, subsequent to public revelations, become a lot smarter of what various parts of the administration were doing to include sitting in on testimony by some of our senior officials, closed testimonies, so I know a lot more about the issue, but I don't know of things that I think would have relevance to the Army. And I certainly don't know things that have relevance to the transfer. Uh, other than once these things got to [redacted] my understanding is we that is DOD transferred them to the CIA, title and everything, and then we got out of the business. Uh, there are plenty of other bits of information and policy discussions that surrounded this that I am aware of, and if it were appropriate would make you aware of it. I don't think they have any relevance to the Army.

COL BACHELDOR: Mrs. Crawford, the Army General Counsel, shared with me a comment uh that was attributed to you that you had heard in testimony someplace, that there either was or may have been some pressure applied to the Army. Is it important to discuss that sir?

MR. ARMITAGE: Yeah I, yeah I don't know. I'll tell you what I heard. I gave a testimony in front of the SSCI and it was over and I stood up. And it was over. And we were walking out, and some of the staff members said oh thanks alot you were very helpful. And I said well I hope so and I hope all the DOD witnesses are helpful. I said, "I must say that I'm not a technician..." and I did say this for the record, "...and I strongly urge you guys in your investigation to talk to our Army fellows who made the transfers, they know this issue, I'm not a technician, I was engaged in the policy end of it, so please talk to them." They said yeah, the only possible question for DOD, they said, is the pricing question. And I said, uh, excuse me, are you indicating by that statement that there is some inference that someone in the Secretary's office was leaning on the Army to lower the price. And they said absolutely not, we have no indication of that. We have no understanding that its other than just what you told us. Basically the Secretary didn't like it. He followed the President's orders though and did it, and said do it under an Economy Act and don't lose money. But he said that there may have been a conversation that Ollie North had with one of the Army fellows involved. And I said I don't know anything about it. And that was the comment and I passed it on I think to Susan. That was it.

COL BACHELDOR: Yes sir, she shared that with us.

COL MORTON: Do you know who North might have talked to?

MR. ARMITAGE: No I don't know, .. they didn't say it happened either (COL MORTON - If?). They said there may have been(COL MORTON - Yes, sir). And I said, basically I was trying to find out if DOD, are we out of this now. And they gave us a pretty good clean bill of health, except for that issue. The pricing issue, there's still some questions. And that caused me to ask, certainly no questions that what I told you is not true because it is my understanding that OSD did not get into the pricing problem. Didn't lean on the Army. That's my understanding. He said no we don't have any indication to the contrary to that. There may be, it may be that North talked to one of the, one of the officers. I said, well you'll find that out from the officers. They can tell you that.

COL MORTON: Sir other than those you've already mentioned, do you know anyone else who could provide further information on the matter.

MR. ARMITAGE: Let me, let me recap. As far as I know in the Department, the Secretary, now LTG Powell, General Thurman because of his discussion with General Powell, General Russo because of the discussion that Thurman had with him, me, Mr. Taft, Vice Admiral Jones, and probably the Chief of Staff of the Army. After that I have to drop down to LTC Armbright who's the next person I ever talked to about this. And through Armbright I talked to Mic Kicklighter and indeed the Secretary of the Army saying I need the information to get ready for a hearing, lets get going. Uh, what's the story here. Give me the answer. And I said I'm not prejudicing the answer, I just need an answer. Uh, so I think those are the only ones that had information as far I'm concerned. Obviously there are people who do [redacted] transfers, who know how to work these and I've seen different names on different pieces of paper and as we put together the chronologies for [redacted] as I'm sure your talking to all those... (COL BACHELDOR - Yes sir we do.). Uh, other than that, Ollie North, but [redacted] I don't think Ollie's talking.

COL MORTON: Kind of hard to get answers...

MR. ARMITAGE: Yes, that's what I understand.

COL BACHELDOR: Admiral Poindexter, sir.

MR. ARMITAGE: Yes, or Poindexter I guess, but my own belief is that General Powell, and you've spoken to him, is probably, first of all he's the most honorable man I've ever met and even if his recollection was at direct odds with mine I'd have to say that I'd go with him. Because he is a very honorable and very smart man. (COL MORTON - Alright sir) That's who seems to be the key guy. Make sure you check him. It could be that .. well you can do that with Charlie Brown or something if you did it. Check in with DSAA if you need any pricing information. Charlie will get the answers for you (COL MORTON - Alright sir.). What we're charging these days for HAWKs and TOWs and things of that nature.

COL MORTON: Sir, this is an official investigation. It is privileged in the sense that the report of investigation will be made to the directing authority for such use as deemed appropriate. You are requested not to divulge the nature of the investigation or questions answered or discussions included in this interview with anyone except your counsel if you have some, have one.

MR. ARMITAGE: I already have to the Secretary of Defense.

COL MORTON: Yes sir. No I'm talking future. And the sole purpose of that and its uh...

MR. ARMITAGE: I do not have counsel and hope further that there's no need for one.

COL MORTON: This is standard to prevent witnesses coming to the attention... not intended to reflect on you.

MR. ARMITAGE: Well I wish you luck on the investigation. I'll be interested .. I assume, well I know I'll get it. The results of it. The Secretary's promised it to the Hill.

COL MORTON: One final thing sir, uh you're reminded that your testimony we've taken here is classified as will the report be. Your testimony may be made part of an official IG record. Individuals who do not have an official need to know may request a copy of this record, to include your testimony. If there is such a request do you consent to the release of your testimony outside official channels.

MR. ARMITAGE: No I don't.

COL MORTON: Alright sir. Do you have any questions sir?

MR. ARMITAGE: No I don't.

COL MORTON: The time is since 1016, the interview is concluded.

(The foregoing testimony of Mr. Richard L. Armitage was recorded on magnetic tape, transcribed by CPT Daniel G. Daley, and verified by LTC Thomas R. Prickett, Intelligence Oversight Division, U.S. Army Inspector General Agency, the Pentagon, Washington, D.C. 20310-1700)

MEMORANDUM FOR RECORD 24 January 1987

SUBJECT: Deletion of Text (U)

Portions of the text of Mr. Armitage's testimony marked "(portion of text deleted)" were deleted in order to prevent the report from being over classified. This sanitization does not detract from the content of the testimony.

DANIEL G. DALEY
CPT, IG
Security Officer

No Date

Armitage Exhibit
#5; 12 pgs
(S003486-S003497)
Deleted in its
Entirety

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30 Sep 86

Non-Log

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Exhibit #6 Armitage
Tups-5/26/87

[illegible] JMP HAS SEEN

September 30, 1986

TOP SECRET

ACTION

N 30932

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Press Guidance re Costa Rican Airstrip

Attached at Tab I is draft press guidance regarding the airstrip at Santa Elena, Costa Rica, which was divulged by the Costa Rican Security Minister at a press conference on Friday, September 26. This story has now been picked up by the New York Times (Tab II) and is generating press questions at State and Defense.

The press guidance at Tab I has been coordinated with State (Abrams), Defense (Armitage), and CIA [redacted] Due to the extreme sensitivity of the issue, your approval is requested before the guidance is used in responding to queries.

The damage done by this revelation is considerable. As indicated in the CIA report at Tab III, the logistics support provided by Project Democracy has had a profound impact on the ability of the resistance to sustain itself in the field. [redacted]

The airfield at Santa Elena has been a vital element in supporting the resistance. Built by a Project Democracy proprietary (Udall Corporation, S.A. -- a Panamanian company), the field was initially used for direct resupply efforts (July 1985 - February 1986). Since early this year, the field has served as a primary abort base for aircraft damaged by Sandinista anti-aircraft fire. The photographs at Tab IV show the field in June 1986 and a damaged Project Democracy ~~K~~C-13~~5~~ which made an emergency landing on the field early this month. 0

The Arias Administration revelations regarding this facility have caused Project Democracy to permanently close Udall Corporation and dispose of its capital assets. It has also resulted in the loss of a facility important to keeping the resistance supplied and in the field against the Sandinistas.

Partially Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5088

TOP SECRET
Declassify: OADR

UNCLASSIFIED

[redacted]

While we wait for [redacted] to prove his goodwill for our policy, there are important reasons to receive both [redacted] in the Oval Office. [redacted]should be invited in lieu of [redacted] because [redacted] is increasingly supportive of our Nicaragua program. [redacted] will be in the U.S. [redacted] Both [redacted] have asked if it is possible to have a "3-minute photo opportunity" with the President in order to present him with a [redacted] book. [redacted] such a brief meeting is highly appropriate.

RECOMMENDATIONS

1. That you approve the press guidance at Tab I and authorize us to pass it to Dan Howard/Paul Hanley for their use if asked.

Approve ____ Disapprove ____

2. That you approve a brief photo op session with [redacted] during your NSC briefing time in the October 17-21 timeframe. If you approve, an appropriate memorandum will be prepared.

Approve ____ Disapprove ____

Prepare a schedule proposal
Coordinate with Burghardt

Attachments
Tab I - Press Guidance
Tab II - NYT Article by James Lemoyne of September 29, 1986
Tab III - CIA Special Analysis, "Nicaragua: Rebel Resupply Increasing," TCS 2922/86 of September 23, 1986
Tab IV - Photographs

UNCLASSIFIED September 30, 1986

PRESS GUIDANCE RE AIRSTRIP IN COSTA RICA

CK

DID U.S. PERSONNEL SUPERVISE CONSTRUCTION OF THE AIRSTRIP IN NORTHERN COSTA RICA?

N 30934

"The U.S. Embassy in San Jose, Costa Rica, has reported that during the Administration of Former President Monge the Ministry of Public Security was offered the use of a site on the Santa Elena Peninsula which could be used as an extension of the civil guard training center at Murcielago. The site included a serviceable airstrip which could have supplemented the small one which is located near the training center. The offer was reportedly made by the owners of the property who had apparently decided to abandon plans for a tourism project. The Embassy has no information on the Ministry's decision concerning the offer. No U.S. Government funds were allocated or used in connection with this site nor were any U.S. Government personnel involved in its construction. Any further inquiries should be referred to the Government of Costa Rica."

WAS THE AIRSTRIP INTENDED FOR USE BY THE CONTRAS?

The Government of Costa Rica has made clear its position that it will not permit the use of its territory for military action against neighboring states. The U.S. Government respects that position.

UNCLASSIFIED

confidence, Profile lady.

all Price Increase

SALE!
ault from Bonds
... choose another...
fer" SAVINGS!
'500'
utive Suits
al retail '275
189 each
fer '349
y 2 — Save '201

Americans Reportedly Supervised Airstrip Project Near Nicaragua

By JAMES LeMOYNE

Special to The New York Times

LIBERIA, Costa Rica, Sept. 28 — Two Americans and the local police commander supervised the building of a military-size airstrip near Costa Rica's border with Nicaragua, according to several local residents, including some who say they worked on the project.

The accounts of the origin and building of the air strip include details that directly contradict official Costa Rican Government explanations. The accounts indicate that the airstrip may be intended for use to supply Nicaraguan guerrillas or assist the American military.

Six Costa Rican residents of this northern border area with Nicaragua, three of whom said they helped build the mile-long airstrip, said in interviews that Americans oversaw the construction.

The strip is situated near an American-built base used to train Costa Rican border patrol units, and American military engineers and special forces have been active in the area in the last year. Nicaraguan guerrillas have bases nearby and have clashed with Nicaraguan Government forces on both sides of the border, although not in the last year.

'Americans Were There'

One town resident who befriended an American working on the airfield said the American identified himself as a former Green Beret demolitions expert who said he was working on "classified" matters.

"Americans were there and there was always a lot of mystery," said a local contractor, Leon Victor Arrieta, who says he was hired earlier this year to spend three months building the airstrip with the advice of the Americans and the protection of the local police commander. "I was told not to say I was building an airstrip. I was told to say I was building a road."

Mr. Arrieta said that he was ordered in April to finish work at the airfield quickly and that shortly after that workers in the area told him that a large military airplane had landed at the field. They said they did not know the nationality of the plane.

Several other local residents said the airfield's existence and use was an open secret in this extremely conservative and fiercely anti-Sandinista area.

"We all know it is a military airfield built by the Americans," one local businessman with close government ties said. "But we will claim it is only a tourist project because we wish the United States would invade Nicaragua and get rid of the Communists there."

U.S. Refuses to Comment

The official spokesman for the United States Embassy in San Jose, Costa Rica, has refused to comment on the airfield in response to several telephone calls over the last five days.

[In Washington, a spokesman for the Defense Department declined to comment.]

The newly elected Costa Rican Government, which has tried to remain neutral in the conflict in Nicaragua, appears to have been embarrassed by publicity about the airstrip. Nicaragua is suing Costa Rica in the World Court for permitting its territory to be used by Nicaraguan guerrillas.

In its first public statement last week, the Costa Rican Government said it closed the airstrip earlier this month because it feared it was used by Nicaraguan anti-Government guerrillas and by drug traffickers. Public Security Minister Hernan Garron added that the field was begun as a tourist project by a Panamanian-based company and then intended as an alternative airstrip for a nearby Costa Rican Government training base.

The airfield is six miles from an American-built base that is used to train Costa Rican border patrol units. But a mountain divides the strip from the base and there appears to be no connecting road. There is flat land near the base that would appear better suited for an airstrip to serve the training site.

Near Deep Water Port

The Green Berets helped build and run the training base, situated near the village of Murcielago. Both the base and the airfield are within a few miles of the last natural deep water port before the Nicaraguan border.

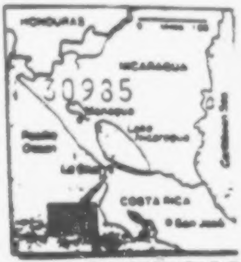
While it is possible that the airfield is used by drug traffickers, it is far larger than the size normally needed by drug runners who usually fly light airplanes that do not require long landing strips.

The airfield is about 1.2 miles long, enough to handle all but the largest military aircraft. Costa Rican police reportedly found a newly built wooden barracks at the field, as well as a stock of aviation fuel.

The Americans who supervised the project gave their names only as "Robert" and "Mr. Bill," according to the two local contractors who built the field. The Americans often consulted with the local police commander and drove a jeep without license plates, one of the contractors said. Three other Americans visited the strip from time to time, the contractor added.

The two contractors, Gerardo Cordoba and Mr. Arrieta, said "Robert" and "Mr. Bill" planned and oversaw all details of the construction. Mr. Cordoba, who was the chief contractor, refused to say if the Americans or the local police commander, Col. Jose Ramon Montero, paid him for his work. Mr. Arrieta estimated the project cost $80,000.

The American who gave his name as "Robert" said he was a former Green Beret demolitions and construction expert who had been in Vietnam, according to a close friend of his in this town who asked to remain unidentified.



The New York Times/Sept. 29, 1984

Military-size airstrip is near Costa Rica-Nicaragua border.

"Robert" said he was working on t government training base nearby a also on "classified" projects that could not discuss, the local reside said.

According to several other local re dents the airfield was built from st to finish under the protection of local police, known as the civil gua Colonel Montero, who has since res as police commander, was the one first asked the two local builders construct the airstrip in January, contractors say.

Colonel Montero kept a 24-hour po lice guard at the airstrip and plac locked gate on the road to the str keep people out, one of the contrac said.

A reporter who tried to see Mr. M tero for the last three days was tol servants that he was not home. I interview last week with a local ne paper Mr. Montero admitted bein volved with the airfield but denied Americans had been present. He sa was a tourist project.

The immigration official in char the Liberia airport, a Governmen installation, said he was surprised Montero would not see an Ame visitor.

"Col. Montero likes Americans is very close to the American Em sy," said the immigration official, asked that his name not be used.

According to the Costa Rican P Security Minister, Mr. Garron, the field was started last year as par tourist development. It was fina by an American company called Research Corporation based in P ma, he said, denying any Costa police involvement in the projec

When the tourist development the airstrip was handed over t Government under the administ that left office in May, Mr. Garro But its legal ownership appears main in doubt since it appears to privately owned land.

Udall Research Corporation listed in Panama at the telephon bers given on official gover forms. Nor is the airstrip, the private field ever found in the co according to Mr. Garron, of registered with the national civ tion office.

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N 30986

Special Analysis

NICARAGUA: **Rebel Resupply Increasing**

Since January, the main anti-Sandinista insurgent organization has delivered increasing quantities of supplies to base camps in [redacted] and—despite continuing problems with aircraft and pilots—to rebel units in Nicaragua.

[redacted]

Improvements

Despite the logistic problems, the FDN delivered 540 tons of [redacted]

continued

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PROJECT DEMOCRACY AIR FACILITY
Santa Elena, Costa Rica
June 10, 1986

N 30990

DAMAGED PROJECT DEMOCRACY ~~HC-135~~ C-123K
After Landing at Santa Elena Facility
September 12, 1986

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076

DOCUMENTS
N30987-N30989
(3 pgs)
DELETED IN its
ENTIRETY

18 Dec 86

UNCLASSIFIE[redacted] [illegible] 83

Tues - 5/26/87

SUBJECT: Questions and Answers for the Record from Secretary of Defense Testimony Before the House Permanent Select Committee on Intelligence, 18 December 1986 (U)

1. The Committee requests a copy of the Army Inspector General/General Counsel report on their investigation of the pricing of TOW missiles transferred to the CIA.

A: (U) Upon completion of the report, a copy will be provided to the Committee.

2. The Committee requests a copy of the Secretary of Defense memorandum and marginal notes on the Draft NSDD of June 1985

A: (U) These are provided at TAB A.

3. Was the basic TOW sold to any other country in the last two or three years?

A: (C) Yes. From FY 1983 to FY 1986, basic TOW was sold to the following countries (quantities in parentheses): [redacted] [redacted] Kenya [redacted] Korea [redacted] Morocco [redacted], Somalia [redacted] and Thailand [redacted]

4. Did General Secord have any kind of Consultant contract, or other relationship or post, with the Department of Defense after his retirement?

A: (U) Yes. Following his retirement on 1 May 1983, MG Secord was approved as a consultant appointee for the Office of the Assistant Secretary of Defense (International Security Affairs), specifically for the Near Eastern and South Asian Affairs Region. Effective 11 July 1983, MG Secord was authorized 130 days at a rate of $242.00 per day, but he did not serve any days in a pay status. On 11 July 1984, MG Secord was again approved as a consultant appointee and authorized 90 days at a rate of $242.00 per day, but he did not serve any days in a pay status. MG

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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Secord's appointment was terminated on 10 July 1985. On 5 August 1985 MG Secord was appointed as a consultant without compensation for up to ten days. This appointment was terminated on 4 August 1986, and the Department has no record of his having been on a duty status on this appointment, with the following exception. On 5 August 1985, MG Secord was appointed as a consultant, without compensation, to the Special Operations Policy Advisory Group (SOPAG). His term on the SOPAG expired effective 4 August 1986. During this one-year term, MG Secord participated in one meeting of the SOPAG, on 15 November 1985. He has not participated since, and this is the last consulting activity in which he participated, according to Department records. Pertinent documentation is enclosed at TAB B.

5. Was General Secord dropped from one of our committees for failing to execute a financial statement?

A: (U) MG Secord served on the Special Operations Policy Advisory Group (SOPAG) from January 1984 to August 1986, although he last participated in November 1985. MG Secord's membership on the SOPAG was terminated, effective 4 August 1986, based upon his failure to provide the Department with financial information (as required in form SF 1555). Amplifying information is enclosed at TAB C.

6. Have any FMS or other arms sales by the Department been made to any "agents or middlemen" as opposed directly to a recipient country?

A: (U) No FMS or other arms sales to foreign countries have been made by the Department through a private agent

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or middleman. There is no legal authority to sell under the Arms Export Control Act to other than an eligible foreign country, except for sales to U.S. contractors under Section 30 of the Act for incorporation into end items and subsequent export. The Department has sold items to other agencies of the federal government in accordance with the Economy Act.

7. Did any DoD intelligence personnel know anything about furnishing any intelligence to Iran covering such matters as battle plans, results of [redacted] gathering of the Iran-Iraq front line, etc.? (The Committee made reference to a message to Congressman Kastenmeier from the Deputy Director of Central Intelligence, Mr. McMahon.)

[redacted]

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[redacted]

8. Did Colonel Jim Steele in El Salvador have any relationship with anyone who was selling arms to the Contras during the time when such sales were prohibited?

[redacted]

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WASHINGTON, THE DISTRICT OF COLUMBIA

D 88.

MEMORANDUM FOR THE ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: US Policy Toward Iran (S)

(TS) This memorandum responds to your request for comments on the draft NSDD on US-Iranian relations. While I agree with many of the major points in the paper, several of the proposed actions seem questionable. Moreover, it is extremely difficult to consider an explicit revision of our policy toward Iran as long as we continue to receive evidence of Iranian complicity in terrorist actions and planning against us. I do not believe, therefore, an NSDD should be issued in the proposed form.

(TS) I fully support the policy objective that "our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence." If we are successful, of course, this will put us in a better position to realize a longer-term goal of having at least neutral/non-hostile relations with Iran. Under no circumstances, however, should we now ease our restriction on arms sales to Iran. Attempting to cut off arms while remaining neutral on sales to either belligerent is one of the few ways we have to protect our longer-range interests in both Iran and Iraq. A policy reversal would be seen as inexplicably inconsistent by those nations whom we have urged to refrain from such sales, and would likely lead to increased arms sales by them and a possible alteration of the strategic balance in favor of Iran while Khomeini is still the controlling influence. It would adversely affect our newly emerging relationship with Iraq.

(TS) There are other actions, however, some of which are implied in the draft NSDD, that we could take now under our current policy to try to prevent an increase in Soviet influence and to lead toward a more moderate post-Khomeini Iran:

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under provisions of E.O. 12356
by K. Johnson, National Security Council

Intelligence

-- Improve US intelligence gathering capabilities in the areas of weakness identified in the SNIE, especially with regard to collecting information on the [redacted] Emphasis should be on identifying key players in the political arena who may be more favorably disposed to US concerns in the region.

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OFFICE OF THE SECRETARY OF DEFENSE
THE MILITARY ASSISTANT

18/6

SEC DEF
HAS SEEN
JUN 18 1985

Sec Def,

This came in "Eyes Only" for you. After you have seen recommend I pass to Rich. Armitage for analysis,

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by K. Johnson, National Security Council

This is close to VP, almost cheered to comment on - By all means pass it on to Rich - but the exception here is 1) [illegible] [illegible] [illegible] ; & 2) [illegible] [illegible] [illegible] [illegible] [illegible] - [illegible]

C

- the [illegible] Rich is DoD [illegible] [illegible] [illegible] [illegible]

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[redacted]

EYES ONLY UNCLASSIFIED D 90

OFFICE OF THE SECRETARY OF DEFENSE

THE MILITARY ASSISTANT 19 Jun 85

NOTE FOR USD(P)
ASD(ISA)

Yours for action. See my recommendation and SecDef's comment on the attached. SecDef's comments read as follows:

"This is almost too absurd to comment on. By all means pass it to Rich, but the assumption here is: 1) that Iran is about to fall, and 2) we can deal with that on a rational basis. [illegible], like asking Qadhafi to Washington for a cozy chat."

VR, C

Declassified/Released on 11Feb88 under provisions of E.O. 12356 by National Security Council

Colin L. Powell
Major General, USA
Senior Military Assistant
to the Secretary of Defense

cc: DepSecDef

EYES ONLY UNCLASSIFIED

[redacted]

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THE WHITE HOUSE
WASHINGTON

[illegible]
D 91

June 17, 1985

SEC DEF
HAS SEEN
JUN 18 1985

SECRET/WITH
TOP SECRET ATTACHMENT

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

SUBJECT: U.S. Policy Toward Iran (S)

The Director of Central Intelligence has just distributed an SNIE on "Iran: Prospects for Near-Term Instability", which I hope you have received. This SNIE makes clear that instability in Iran is accelerating, with potentially momentous consequences for U.S. strategic interests. It seems sensible to ask whether our current policy toward Iran is adequate to achieve our interests. My staff has prepared a draft NSDD (Tab A) which can serve to stimulate our thinking on U.S. policy toward Iran. I would appreciate your reviewing the draft on an eyes only basis and providing me with your comments and suggestions. I am concerned about the possibility of leakage should we decide not to pursue this change in policy with the President. If you feel that we should consider this change, then I would refer the paper to the SIG(FP) in preparation for an NSPG meeting with the President. (S)

Bud
Robert C. McFarlane

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by K. Johnson, National Security Council

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Declassify on: OADR

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NSC/ICS 402010

THE WHITE HOUSE
WASHINGTON

DRAFT

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NATIONAL SECURITY DECISION
DIRECTIVE

U.S. Policy Toward Iran

Dynamic political evolution is taking place inside Iran. Instability caused by the pressures of the Iraq-Iran war, economic deterioration and regime infighting create the potential for major changes in Iran. The Soviet Union is better positioned than the U.S. to exploit and benefit from any power struggle that results in changes in the Iranian regime, as well as increasing socio-political pressures. In this environment, the emergence of a regime more compatible with American and Western interests is unlikely. Soviet success in taking advantage of the emerging power struggle to insinuate itself in Iran would change the strategic balance in the area. [redacted] While we pursue a number of broad, long-term goals, our primary short-term challenge must be to block Moscow's efforts to increase Soviet influence (now and after the death of Khomeini). This will require an active and sustained program to build both our leverage and our understanding of the internal situation so as to enable us to exert a greater and more constructive influence over Iranian politics. We must improve our ability to protect our interests during the struggle for succession.

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by K. Johnson, National Security Council

U.S. Interests and Goals

The most immediate U.S. interests include:

(1) Preventing the disintegration of Iran and preserving it as an independent strategic buffer which separates the Soviet Union from the Persian Gulf;

(2) Limiting the scope and opportunity for Soviet actions in Iran, while positioning ourselves to cope with the changing Iranian internal situation;

(3) Maintaining access to Persian Gulf oil and ensuring unimpeded transit of the Strait of Hormuz; and

(4) An end to the Iranian government's sponsorship of terrorism, and its attempts to destabilize the governments of other regional states.

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We also seek other broad and important, if less immediately urgent, goals.

(1) Iran's resumption of a moderate and constructive role as a member respectively of the non-communist political community, of its region, and of the world petroleum economy;

(2) continued Iranian resistance to the expansion of Soviet power in general, and to the Soviet occupation of Afghanistan in particular;

(3) an early end to the Iran-Iraq war which is not mediated by the Soviet Union and which does not fundamentally alter the balance of power in the region;

(4) elimination of Iran's flagrant abuses of human rights;

(5) movement toward eventual normalization of U.S.-Iranian diplomatic consular and cultural relations, and bilateral trade/commercial activities;

(6) resolution of American legal and financial claims through the Hague Tribunal; and

(7) Iranian moderation on OPEC pricing policy.

Many of our interests will be difficult to achieve. But given the rapidity with which events are moving, and the magnitude of the stakes, it is clear that urgent new efforts are required. In moving forward, we must be especially careful to balance our evolving relationship with Iraq in a manner that does not damage the longer term prospects for Iran.

Present Iranian Political Environment

The Iranian leadership faces its most difficult challenges since 1981. The regime's popularity has declined significantly in the past six months, primarily because of intensified disillusionment with a seemingly unending war, the continued imposition of Islamic social policies on a population increasingly reluctant to accept such harsh measures, and a faltering economy brought on primarily by declining oil revenues. The impact of these problems is intensified by the realization that Ayatollah Khomeini's mental and physical health is fragile, which in turn casts a pall of uncertainty over the daily decision-making process.

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Unless the acceleration of adverse military, political and economic developments is reversed, the Khomeini regime will face serious instability (i.e. repeated anti-regime demonstrations, strikes, assassination attempts, sabotage and other destabilizing activities throughout, increasingly involving the lower classes). This condition will sap officials' energies and government resources, intensifying differences among Iranian leaders as the government tries to avoid mistakes that would provoke popular upheaval and threaten continued control.

While it is impossible to predict the course of the emerging power struggle, it is possible to discern several trends which must be accounted for by U.S. policy. As domestic pressures mount, decision-making is likely to be monopolized by individuals representing the same unstable mix of radical, conservative and ultra-conservative factions that now control the Iranian government. The longer Khomeini lingers in power, the more likely the power struggle will intensify, and the greater the number of potential leaders who might affect the outcome of the struggle.

The ultimate strength of various clerical groups and the power coalitions they may form are not known. However, the weaknesses of various opposition groups -- inside Iran and abroad -- are evident, especially the lack of a leader with sufficient stature to rival Khomeini and his ideas. The most likely faction in a power struggle to shift Iranian policy in directions more acceptable to the West -- should their influence increase -- are conservatives working from within the government against the radicals. Radicals within the regime, and the leftist opposition, are the groups most likely to influence the course of events in ways inimical to Western interests.

The Iranian regular armed forces represent a potential source of both power and inclination to move Iran back into a more pro-Western position. Representatives of every faction inside and outside the regime recognize the potential importance of the military and are cultivating contacts with these forces. However, as long as the Army remains committed in the war with Iraq it will not be in a position to intervene in Tehran.

The other instrument of state power, the Revolutionary Guard, is becoming increasingly fractured. It will probably come apart following Khomeini's death, and might even engage in a major power struggle before then. In any scenario, the Guard will be at the center of the power struggle.

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The Soviets are well aware of the evolving developments in Iran. They will continue to apply carrot-and-stick incentives to Iran in the hope of bringing Tehran to Moscow's terms for an improved bilateral relationship that could serve as a basis for major growth in Soviet influence in Iran. Moscow will clearly resist any trend toward the restoration of a pro-Western Iranian government.

Despite strong clerical antipathy to Moscow and communism, Tehran's leadership seems to have concluded that improvement of relations with the Soviet Union is now essential to Iranian interest. They do not seem interested in improving ties with us. This Iranian assessment is probably based on Tehran's view of what Moscow can do for -- and against - Iran rather than on an ideological preference to conduct relations with Moscow. The USSR already has much leverage over Tehran -- in stark contrast to the U.S.

Moscow views Iran as a key area of opportunity. [redacted] In return, Moscow is certain to offer economic and technical assistance, and possibly even military equipment. While they have heretofore balked at providing major weapon systems, the Soviets might relax their embargo if the right political opportunities presented themselves. While Moscow would probably not act in a manner that severely disrupts its relations with Baghdad, given Iraq's dependency on the USSR for ground forces equipment, Moscow possesses considerable room for maneuver if it senses major openings in Tehran for the establishment of a position of significant influence.

Moscow may also pursue a strategy based on support of separatist movements. The Soviet Union has had ample opportunity to cultivate the ethnic groups that cut across the Soviet-Iranian border. Most ethnic groups are unlikely to challenge the central government in Tehran as long as they fear severe reprisals. But in the areas of Iran adjacent to the Soviet border, the Soviets can provide a security umbrella to protect rebellious ethnic groups from reprisals.

The U.S. position in Tehran is unlikely to improve without a major change in U.S. policy. The challenge to the U.S. in the post-Khomeini period will be severe. Any successor regime will probably seize power in the name of Islam and the revolution and

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can be expected to have a built-in anti-American bias. A more conservative regime, still Islamic, might lessen the emphasis on revolution and terrorism and could move cautiously toward a more correct relationship with the U.S. On the other hand, radical forces will try to exacerbate anti-American feelings to strengthen their own positions at the expense of the conservatives.

Our leverage with Iran is sharply reduced by the current degree of hostility that springs from the ideology of the radical clergy, especially as it serves their foreign policy goals. Moreover, the moderate and conservative elements of the clergy may also share the radicals' belief that we are inveterately hostile to the Islamic government, making accommodation with the U.S. impossible. The clerical regime continues to believe that the U.S. has not accepted the revolution and intends to reverse the course of events and install a puppet government. This perception has been reinforced by our restoration of diplomatic relations with Iraq, efforts to cut the flow of arms to Iran, and direct threats of military action in retaliation for Iranian-inspired anti-U.S. terrorism.

U.S. Policy

The dynamic political situation in Iran and the consequences for U.S. interests of growing Soviet and radical influence, compel the U.S. undertake a range of short- and long-term initiatives that will enhance our leverage in Tehran, and, if possible minimize that of the Soviets. Particular attention must be paid to avoiding situations which compel the Iranians to turn to the Soviets. Short-term measures should be undertaken in a manner that forestalls Soviet prospects and enhances our ability, directly and indirectly, to build U.S. and Western influence in Iran to the maximum extent possible in the future. Planning for the following initiatives should therefore proceed on a fast and longer-term track. The components of U.S. policy will be to:

(1) Encourage Western allies and friends to help Iran meet its import requirements so as to reduce the attractiveness of Soviet assistance and trade offers, while demonstrating the value of correct relations with the West. This includes provision of selected military equipment as determined on a case-by-case basis.

[redacted]

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[illegible] generalized

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(3) Increase contacts with allies and friends [redacted] on the evolution of the Iranian situation and possible means for influencing the direction of change, and be ready to communicate with Iran through these or other countries [redacted]

specific?

(4) Take advantage of growing political fragmentation by:

-- discreetly communicating our desire for correct relations to potentially receptive Iranian leaders; ⑦

-- [redacted]

-- providing support to elements opposed to Khomeini and the radicals.

(5) Avoid actions which could alienate groups potentially receptive to improved U.S.-Iranian relations.

(6) Respond to Iranian-supported terrorism with military action against terrorist infrastructure.

(7) Enhance our effort to discredit Moscow's Islamic credentials with a more vigorous VOA effort targeted on Iran.

(8) Develop action plan in support of the basic policy objective, both for near-term contingencies (e.g. death of Khomeini) as well as the long-term restoration of U.S. influence in Tehran.

(9) With respect to the Gulf war:

-- Continue to encourage third party initiatives to seek an end to the war;

-- Increase military cooperation with Gulf Cooperation Council countries, and bolster U.S. military capabilities in the Gulf area to enable CENTCOM to be fully capable of carrying out its mission; and

-- Seek to curb Iran's collaboration with its radical allies (i.e. Syria and Libya).

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-- [redacted] seek [redacted] who play important roles in the administration of Islamic rule but who also favor policies more favorable to US and Western interests. [redacted]

Political

-- Through contacts with allies and friends, we should discreetly communicate our desire for correct relations to potentially receptive Iranian leaders based on their renunciation of state-supported terrorism, their willingness to seek a negotiated settlement to the Iran-Iraq war, their non-interference in other states' affairs, and their cooperation in settling US-Iranian claims in the Hague Tribunal.

-- Maintain our neutrality in the Iran-Iraq war while encouraging third party initiatives to end the conflict and increasing political-military cooperation with Gulf Cooperation Council countries.

-- In light of recent evidence that our allies continue to permit sporadic transfers of militarily useful equipment to Iran and that negotiations may be taking place between commercial firms and Iranian officials, we should increase the pressure on our allies by considering public statements and possible sanctions.

Public Diplomacy

-- Our public statements on Iran should bring pressure to bear squarely where it is needed--on the current Iranian regime. In tone, our public position must avoid casting Iran as a country and the Iranian people and culture, as well as Shia Islam, as the enemy, but should emphasize opposition to the policies of the present Iranian government and the corrupt mullahs inside the government. Our statements should aim to encourage those elements in Iran who disagree or oppose regime policies.

Economic

-- A full range of US export controls are already in effect. [redacted] We should reassess the effectiveness of present controls in curbing all but [illegible] exports.

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-- In conjunction with discreet political contacts proposed above, we could suggest to the Iranians that correct relations would include relaxation of current US trade restrictions and normal trade relations with an Iranian government that is not hostile to US interests.

(TS) I concur with the balance of the recommendations in the draft NSDD in so far as they support current US policy. My recommendations reflect my very strong view that US policy must remain steadfast in the face of international lawlessness perpetrated by the Iranian regime. Changes in policy and in conduct, therefore, must be initiated by the Iranian government. By remaining firmly opposed to current Iranian government policies and actions, yet supportive of moderation and a longer term improvement in relations, we can avoid the future enmity of the Iranian people and develop the leverage necessary to counter a possibly very dangerous increase in Soviet influence. In particular, we need to be prepared for a possible period of turmoil as the regime begins to change, by building up effective instruments of influence and access to people and organizations within Iran, so as to counter a Soviet attempt to promote a pro-Soviet successor regime.

cc: Secretary Shultz

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RICHARD V. SECORD CONSULTANT HISTORY OSD - POLICY

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Date of Appointment	Office	Days Approved	Salary per Day
Initial Appt --07-11-83	ISA/IO/NESA	130	$242.00
Renewal eff -- 07-11-84	ISA/IO/NESA	90	$242.00
Termination eff --07-10-85	ISA/IO/NESA		
Appt to SOPAG* eff --8-5-85	ISA/SP	10	WOC
Appointment expired 8-4-86 -- Request to renew app fwded to Personnel 9-11-86			
Termination 52 fwded to Personnel 10-23-86 w/requested eff date of 8-5-86, based on Secords refusal to provide SF 1555			

*Special Operations Policy Advisory Group

SECORD (D)(a)
CONSULTANT
(SOPAG)

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by K. Johnson, National Security Council

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MAJ GEN RICHARD V. SECORD, USAF - MILITARY HISTORY OSD - POLICY

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D 102

Reporting Date	Office	Duty Title
13 April 1981	ISA/NESA	Director, Near East South Asia Region
14 July 1981	ISA/NESA	Deputy Assistant Secretary of Defense, NESA
1 May 1983	N/A	Retired from USAF

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SPECIAL OPERATIONS POLICY ADVISORY GROUP

The Special Operations Policy Advisory Group was formed in December 1983 under the authority granted in PL 92-463 Federal Advisory Committee Act to advise the Secretary of Defense on key policy issues related to the development and maintenance of effective special operations forces. The SOPAG meets on an irregular basis to discuss, for example, organization, force structure, manpower and personnel, readiness, and equipment. They meet in closed session as classified material may be presented.

The SOPAG activities relate only to policy and do not involve operational matters.

Members of the SOPAG are appointed for one-year terms in August each year. They serve as DoD consultants, without compensation, unless otherwise employed by DoD. There is no set number of members, but membership has ranged from 9 to 11 members. Normally members have been invited to renew their membership annually unless there is some indication or desire not to serve.

Current members of the SOPAG are:

- Lawrence Ropka, Jr., PDASD/ISA, Chairman
- Maj. Gen. Thomas Kelly, USA, Director JSOA
- BG Donald Blackburn, USA (Ret)
- GEN Robert Kingston, USA, (Ret)
- LTG Lereyn Maner, USAF, (Ret)
- GEN Edward Meyer, USA, (Ret)
- Dr. Richard Shultz
- GEN Richard Stilwell, USA, (Ret)
- LTG Samuel Wilson, USA, (Ret)
- LTG William Yarborough, USA, (Ret)

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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D 105

1. Dates and attendees of ALL Special Operations Policy Advisory Group (SOPAG) meetings.

10 Jan 1984

LTG Wilson
Lt Gen Manor
Maj Gen Secord
Chaired by Mr. Lynn Rylander

29 March 1984

LTG Wilson
Lt Gen Ahmann
Maj Gen Secord
BG Blackburn
Mr. Rylander
Maj Gen Rice
LTC Gembara
Chaired by Mr. Noel Koch

15 January 1985

LTG Wilson
Lt Gen Manor
Maj Gen Secord
Maj Gen Rice
Mr. Rylander
LTC Gembara
Chaired by Mr. Noel Koch

6 June 1985

GEN Meyer
Lt Gen Manor
LTG Yarborough
Lt Gen Pustay
Maj Gen Secord
Maj Gen Rice
BG Blackburn
Mr. Rylander
Mr. Feuerwerger
CAPT Lyon
LTC Gembara
Lt Col Davidson
Mr. Armitage
Mr. Komer
Chaired by Mr. Noel Koch

18 July 85

BG Blackburn
Gen Stilwell
Lt Gen Manor
LTG Vaught
LTG Yarborough
Maj Gen Rice
Maj Gen Secord
Mr. Rylander
CAPT Lyon
LTC Gembara
Lt Col Davidson
Chaired by Mr. Noel Koch

15 November 1985

GEN Stilwell
Lt Gen Manor
Lt Gen Pustay
LTG Vaught
Maj Gen Rice
Maj Gen Secord
BG Blackburn
Mr. Rylander
COL Cox
CAPT Lyon
LTC Gembara
LTC Roche
Mr. Probst
Mr. Armitage
Chaired by Mr. Koch

8 October 1986

BG Blackburn
GEN Kingston
Lt Gen Manor
GEN Meyer
Professor Shultz
GEN Stilwell
LTG Wilson
LTG Yarborough
MajGen Kelly
Mr. Talbot
Mr. Rylander
LTC Yarborough
Chaired by Mr. Lawrence Ropk

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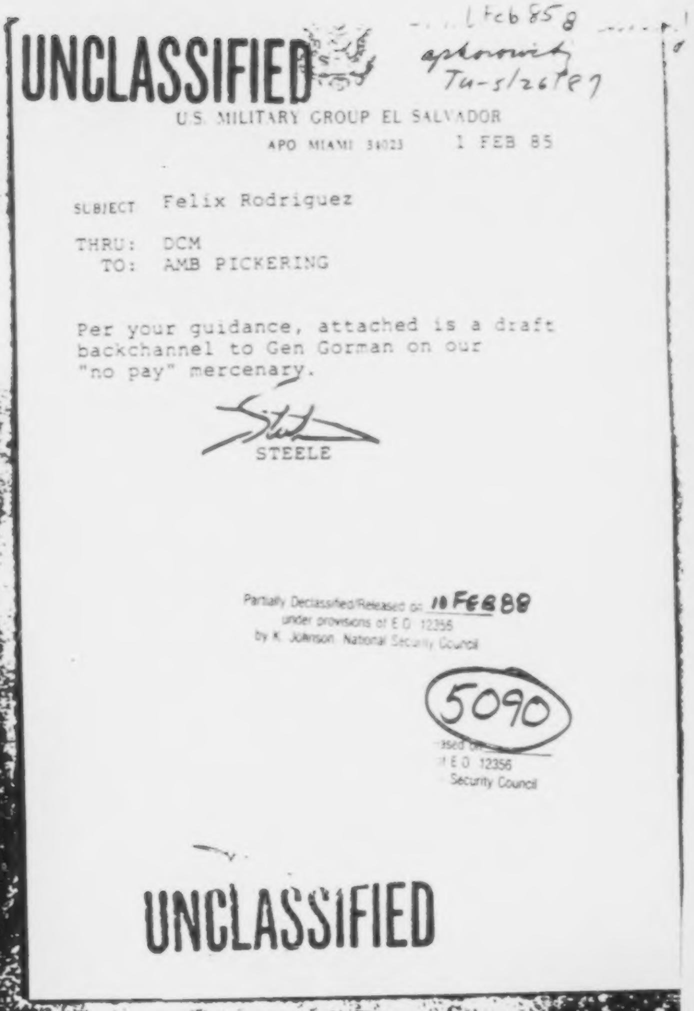
Maj. Gen.-(Ret.) Secord was invited to renew his membership for this year; however; he declined. His term expired on Aug. 4, 1896. He had not participated in any SOPAG activities since November 1985.

UNCLASSIFIED



UNCLASSIFIED

1 Feb 85 8
[illegible]
Tu-5/26/87

U.S. MILITARY GROUP EL SALVADOR
APO MIAMI 34023 1 FEB 85

SUBJECT Felix Rodriguez

THRU: DCM
TO: AMB PICKERING

Per your guidance, attached is a draft backchannel to Gen Gorman on our "no pay" mercenary.

STEELE

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ased on
f E.O. 12356
Security Council

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UNCLASSIFIED

14 Feb '85

③ File
Fr me
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OO YEKRAL
DE YYZANK #0225 0452257
ZNY MMNSH
ZKZK OO SOA DE
O 14[redacted]FEB 00 ZYH
FM USSOUTHCOM
TO [redacted]
ZEM
CONFIDENTIAL                    PNA-0459-14-FEB-85
QQQQ
EYES ONLY//EYES ONLY//EYES ONLY//EYES ONLY//
NIACT IMMEDIATED
FOR AMBASSADOR PICKERING AND COL STEELE FROM GEN GORMAN
SUBJECT: FELIX RODRIGUEZ (U)
1. (C) I HAVE JUST MET HERE WITH FELIX RODRIGUEZ [redacted] PENSIONER
FROM MIAMI. BORN IN CUBA, A VETERAN OF GUERRILLA OPERATIONS [redacted] HE IS
OPERATING AS A PRIVATE CITIZEN, BUT HIS ACQUAINTANCESHIP WITH THE VP
IS REAL ENOUGH, GOING BACK TO LATTER'S DAYS AS DCI.
2. (C) RODRIGUEZ' PRIMARY COMMITMENT TO THE REGION IS [redacted]
WHERE HE WANTS TO ASSIST THE FDN. I TOLD HIM THAT THE FDN DESERVED
HIS PRIORITY. I ALSO TOLD HIM THAT YOUR WORK WITH THE PRAL WAS
ADVANCING WELL, AND THAT WE HAD MADE PROGRESS WITH TRAINING OTHER
PATROL FORCES. I WARNED HIM THAT WHATEVER HIS CONSULTING ROLE IN EL
SAL AMOUNTED TO, HE COULD NOT BECOME VISIBLE TO THE PRESS IN ANY
SENSE WITHOUT DAMAGING OUR CAUSE THERE. I ALSO CAUTIONED THAT EL
SAL WAS A VERY MUCH MORE DELICATE ENVIRONMENT WITH RESPECT TO CIVIL-
MILITARY RELATIONS AND RESPECT FOR HUMAN RIGHTS THAN ANY HE HAD
OPERATED IN BEFORE.
3. (C) HE WILL WANT TO FLY WITH THE ESAF TO ESTABLISH HIS
CREDIBILITY, BUT THAT BIT OF MACHISMO SEEMS TO ME BOTH UNNECESSARY
AND UNWISE.
4. (C) MY JUDGMENT IS THAT HIS ADVICE WILL REINFORCE OURS, AND
THAT WE SHOULD PUT NO OBSTACLES IN HIS WAY TO CONSULTING WITH
BLANDON OR BUSTILLO UNLESS AND UNTIL WE GET COUNTERINDICATIONS. I
RECOMMEND THAT JIM STEELE MEET WITH HIM [redacted] AND AMBASSADOR
MAY ALSO WANT TO INTERVIEW HIM, BUT OUR MAIN INTEREST IS, AS I SEE
IT, TO INSURE WE KNOW WHAT HE IS TELLING BLANDON AND BUSTILLO VIA
IN-BRIEF AND OUT-BRIEF.
5. (C) ASSUMING YOUR APPROVAL, I WILL SEND RODRIGUEZ TO [redacted]
TOMORROW, 15 FEB, ON ONE OF MY C-12S. HE WILL ARRIVE AROUND 1200
LOCAL. HE IS A LONG-TIME FRIEND OF LOU RODRIGUEZ AND, IF AVAILABLE,
WOULD APPRECIATE IT IF LOU COULD BE HIS CONTACT POINT. I ANTICIPATE
HE WILL WANT TO DEPART FOR MIAMI ON SATURDAY.
DECLAS OADR
SSO NOTE: DELIVER IMMEDIATELY.
#0225

NNNN
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by K. Johnson, National Security Council

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BACK CHANNEL

File for me
S

ACTION: STATE RCI, IMMEDIATE
USSOUTHCOM, IMMEDIATE

EYES ONLY FOR ARA MOTLEY AND JOHNSTONE; SOUTHCOM FOR GENERAL GORMAN FROM PICKERING

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SUBJ: MEETING WITH FELIX RODRIGUEZ

1. I HAD A VALUABLE MEETING WITH FELIX RODRIGUEZ FEBRUARY 15.

2. HE HAS OUTLINED A TACTIC WHICH I BELIEVE HAS MERIT AND SHOULD BE TRIED OUT, VIZ: [redacted] OBVIOUSLY OTHER VARIATIONS ARE POSSIBLE, BUT WE WILL HAVE TO INTEGRATE [redacted] ISSUE AND HANDLE IT BETTER THAN EVER BEFORE IF IT IS TO WORK, SOMETHING I AGREE WITH ON ITS OWN.

3. RODRIGUEZ WILL RETURN IN 3-4 WEEKS TO WORK WITH BUSTILLO (FAS) AND STEELE. STEELE WILL MONITOR CLOSELY. RODRIGUEZ UNDERSTANDS MY GENERAL RULES -- NO CIVILIAN CASUALTIES AND HE IS NOT TO ACCOMPANY FAS ON COMBAT MISSIONS AND AGREES. WE WILL START

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SLOWLY AND CAREFULLY TO SEE WHAT APPROACH CAN PRODUCE. HE WILL TAKE ON HIGHER PRIORITY [redacted] MISSION FIRST.

4. FOR ARA: PLEASE BRIEF DON GREGG IN VP'S OFFICE FOR ME.

Exhibit #10
Armitage
Tu- 5/26/87
[illegible]

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NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20501

10 Dec 85
[illegible]
SYSTEM II
91229
Add-on

873

SECRET

December 10, 1985

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

N 31899

FROM: OLIVER L. NORTH

SUBJECT: Trip to the Central America Region

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to the Central American region headed by VADM Poindexter on December 11-12, 1985.

Participants:

VADM John M. Poindexter
Asst Sec of State Elliott Abrams
Dep Asst Sec of State William Walker
Mr. [redacted]
LTCOL Oliver North
G. Philip Hughes

General Itinerary:

Depart	6:30 p.m., Wed, Dec 11	Andrews AFB
Arrive	11:00 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 12	Howard AFB, Panama
	(save one hour enroute - change of time zone)	
Arrive	9:00 a.m.	San Jose, Costa Rica
Depart	10:30 a.m.	San Jose, Costa Rica
Arrive	11:40 a.m.	Ilopongo AB, El Salvador
Depart	1:00 p.m.	Ilopongo AB, El Salvador
Arrive	1:30 p.m.	Palmerola AB, Honduras
Depart	3:30 p.m.	Palmerola AB, Honduras
Arrive	5:15 p.m.	La Aurora AB, Guatemala City
	(gain one hour enroute - change of time zone)	
Depart	6:30 p.m.	La Aurora AB, Guatemala City
Arrive	12:00 midnight	Andrews AFB

NSC will defray expenses for North and Hughes' travel. Travel will b by military aircraft. Trip has been verbally approved by Poindexter

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under provisions of E.O. 12356
by K. Johnson, National Security Council

RECOMMENDATION

That you authorize Rick Benner to cut the appropriate travel orders for both North and Hughes.

Approve ______ Disapprove ______

OLAA-OF-Box15-
ADJ 4/16/18

5092

Attachment
Tab I - NSC Staff Travel Authorization Sheet

cc: Phil Hughes

SECRET
Declassify: OADR

UNCLASSIFIED

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DATE: Dec [illegible]

1. TRAVELER'S NAME: LTCOL Oliver North and G. Philip Hughes

2. PURPOSE(S), EVENT(S), DATE(S): To accompany VADM Poindexter on brief, low-profile trip to Central American region to confer with top ranking U.S. officials and to reinforce the continuity of U.S. policy in the region. (see cover memo for itinerary)

N 31900

3. ITINERARY (Please Attach Copy of Proposed Itinerary): see cover mem

DEPARTURE DATE Wed, Dec 11 RETURN DATE Thurs, Dec 12

TIME 6:30 p.m. TIME 12:00 midnight

4. MODE OF TRANSPORTATION:

GOV AIR XX COMMERCIAL AIR ___ POV ___ RAIL ___ OTHER ___

5. ESTIMATED EXPENSES:

TRANSPORTATION ___ PER DIEM XX OTHER ___ TOTAL TRIP COST [illegible]

6. WHO PAYS EXPENSES: NSC XX OTHER ___

7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES ___ NO XX

9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler, Describe Source and Arrangements): N/A

10. TRAVEL ADVANCE REQUESTED: $ 0.00

11. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):

12. TRAVELER'S SIGNATURE: Fawn Hall for

13. APPROVALS:

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NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20506

SYSTEM II [redacted]
91229
~~[illegible]~~
Central America

December 2, 1985

SECRET

ACTION

N 31901

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Trip to Panama and Honduras

Based on your guidance, arrangements have been made for you to meet with [redacted] ([redacted] Dec 5). The itinerary and substance of your meetings have been discussed with State (DASS Bill Walker) and SOUTHCOM (General Galvin).

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to Panama and Honduras on December 4-5, 1985.

Participants:
ADM John M. Poindexter
Mr. Richard Armitage
Mr. William Walker
Mr. [redacted]
LTCOL Oliver North
Mr. Raymond Burghardt

General Itinerary (details at Tabs III and IV):

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

NSC will defray expenses for North and Burghardt's travel.

Attached at Tab II is a memo from you to Don Regan requesting a Special Air Mission (SAM) support for this trip.

Tabs III and IV provide an overview of the situation and the objectives we hope to achieve in Panama and Honduras, respectively. Detailed talking points for your use during the trip will be provided separately.

State (Walker), Defense (Armitage), CIA [redacted] and Ray not available Burghardt concur.

SECRET
Declassify: OADR

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RECOMMENDATIONS

1. That you authorize Rick Benner to cut the appropriate travel orders for North and Burghardt.

Approve _____ Disapprove _____

2. That you initial and forward the memo at Tab II to Don Regan requesting SAM support for the trip.

Approve _____ Disapprove _____

3. That you review Tabs III and IV prior to the trip.

Approve _____ Disapprove _____

cc: Rick Benner (w/o Tabs II, III, and IV)

Attachments
- Tab I - NSC Staff Travel Authorization Sheet
- Tab II - Poindexter Memo to Regan
- Tab III - Current Situation and our Objectives for Panama
- Tab IV - Current Situation and our Objectives for Honduras

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DATE: Dec 2, 1985

1. TRAVELER'S NAME: Ol[illegible]ardt

2. PURPOSE(S), EVENT(S), DATE(S): For official meetings in Panama and Honduras December 4-5, 1985.

N 31903

3. ITINERARY (Please Attach Copy of Proposed Itinerary): see memo SYSTEM II 912

DEPARTURE DATE Wed, Dec 4 RETURN DATE Thurs, Dec 5

TIME 2:30 p.m. TIME 7:10 p.m.

4. MODE OF TRANSPORTATION:

GOV AIR XX COMMERCIAL AIR ___ POV ___ RAIL ___ OTHER ___

5. ESTIMATED EXPENSES:

($126.00 per diem for o

TRANSPORTATION ___ PER DIEM XX OTHER ___ TOTAL TRIP COST $252.00

6. WHO PAYS EXPENSES: NSC XX OTHER ___

7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES ___ NO XX

9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler, Describe Source and Arrangements): N/A

10. TRAVEL ADVANCE REQUESTED: $ 0.00

11. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):

12. TRAVELER'S SIGNATURE: Fawn Hall for

13. APPROVALS:

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WASHINGTON

SYSTEM II
91229

CONFIDENTIAL

N 31904

MEMORANDUM FOR DONALD T. REGAN

FROM: JOHN M. POINDEXTER

SUBJECT: Special Air Mission (SAM) Support

It is requested that a SAM C-20 aircraft be provided for a proposed trip to Panama and Honduras on December 4-5, 1985. The purpose of the trip is to review the current situation in Central America with key government officials in these two countries. The itinerary for the trip is indicated below:

Proposed Itinerary:

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

cc: The Honorable Richard P. Riley
Assistant to the President and
Director of Special Support Services

CONFIDENTIAL
Declassify: OADR

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N 31905

ONE PAGE withdrawn

PRD 4/25/87

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N 31906

Based on discussions with Walker at State and General Galvin, the following detailed itineary has been proposed for Panama:

Wednesday, December 4, 1985:

1935:	Arrive Howard AFB, Panama; proceed to USAF Hdqtrs
1940 - 2010:	30 minute briefing w/General Galvin at USAF Hdqtrs
2010 - 2030:	Proceed via USSOUTHCOM auto to SOUTHCOM Hdqtrs [redacted]
2030 - 2100:	[redacted] attendees: Poindexter, Galvin, Walker
2115 - 2200:	Recap briefing at CG, USSOUTHCOM residence w/U.S. team and General Galvin
2200 - morn:	Poindexter RON at Qtrs 1 w/General Galvin; remainder of U.S. team RON at Casa Carribe

Thursday, December 5, 1985

0700 - 0730:	Breakfast (Qtrs 1 and Casa Carribe)
0730 - 0745:	Proceed to USSOUTHCOM Op Ctr
0745 - 0845:	USSOUTHCOM regional security briefing
0845 -0900:	Proceed to Howard AFB, Panama
0905 - 0950:	Enroute to Honduras via C-20

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SECRET N 31907

CURRENT SITUATION/OBJECTIVES FOR HONDURAS

[redacted]

Thursday, December 5, 1985

0950: Arrive Palmerola Air Base, Honduras (save one hour enroute -- 1 hour and 50 minute flight)

1000 - 1215: Discussions with [redacted] attendees: Poindexter, U.S. team, and Amb Ferch

1215 - 1315: Working lunch at CTF Bravo (U.S. military exercise hdqtrs)

1315 - 1400: Options:

A [redacted]

B - Country team briefing by AmEmb Tegucigalpa

1400 - 1910: Enroute from Palmerola Air Base to Andrews AFB

SECRET
Declassify: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM II
91229
N 31908

Central America

December 10, 1985

SECRET

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Cable to Posts Advising of Your Trip to the Central America Region

The cable attached at Tab I has been coordinated directly with Elliott Abrams, Amb John Ferch, and General Galvin. Please note once we arrive in Panama aboard C-20 we will be using General Galvin's C-9 in-theater. This will allow sufficient rest for your aircrew and provide more space for traveling team in-theater. Paul Thompson has coordinated aircraft support and exchange of aircraft.

RECOMMENDATION

That you authorize dispatch of the cable at Tab I (Op Immed via [redacted] channel).

Approve ____ Disapprove ____

Attachment
Tab I - Poindexter Cable to Central American Posts

cc: Paul Thompson
Philip Hughes

SECRET
Declassify: OADR

UNCLASSIFIED

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SECRET

FM: WHITE HOUSE

N 31909

TO: AM EMB PANAMA CITY, PANAMA
AM EMB SAN JOSE, COSTA RICA
AM EMB SAN SALVADOR, EL SALVADOR
AM EMB TEGUCIGALPA, HONDURAS
AM EMB GUATEMALA CITY, GUATEMALA
USCINCSO, QUARRY HTS, PANAMA

INFO: SEC STATE, WASH, D.C.
SEC DEF, WASH, D.C.
DIR. CIA, WASH, D.C.
CHMN. JCS, WASH, D.C.

SECRET //EYES ONLY

SUBJ: VISIT TO CENTRAL AMERICA BY ASST. TO PRESIDENT FOR NATIONAL SECURITY AFFAIRS, DESIG. JOHN M. POINDEXTER (C)

1. SECRET--ENTIRE TEXT.

2. THE PRESIDENT HAS ASKED THE NEW NATIONAL SECURITY ADVISOR, VADM JOHN M. POINDEXTER, TO MAKE A HASTY, LOW-PROFILE TRIP TO CENTRAL AMERICA TO CONFER WITH TOP RANKING U.S. OFFICIALS AND TO REINFORCE THE CONTINUITY OF U.S. POLICY IN THE REGION. IN EACH

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SECRET

UNCLASSIFIED

LOCATION THE NATIONAL SECURITY ADVISOR WOULD LIKE TO MEET WITH THE U.S. AMBASSADOR, [redacted] AND SENIOR U.S. MILITARY REPRESENTATIVES. INVITATION OF CINC U.S. SOUTHERN COMMAND, GENERAL GALVIN, FOR USE OF HIS AIRCRAFT IN-THEATER IS GRATEFULLY ACCEPTED. WASHINGTON BASED C-20 WILL PROCEED TO GUATEMALA TO RENDEZVOUS WITH WASHINGTON PARTY.

N 37970

3. PURPOSE OF THE TRIP IS TO MEET WITH U.S. OFFICIALS NOT REPEAT NOT WITH HOST GOVERNMENTS. PLEASE EMPHASIZE WITH HOST GOVERNMENTS THAT NATIONAL SECURITY ADVISOR INTENDS THAT THIS BRIEF, INFORMAL FAMILIARIZATION TRIP WILL BE FOLLOWED AT A FUTURE DATE BY A LONGER VISIT WHICH WILL ALLOW MEETINGS WITH REGIONAL HEADS OF STATE AND ADDITIONAL HOST GOVERNMENT OFFICIALS. AMBASSADORS SHOULD STRESS THAT THIS SECOND VISIT WILL PROBABLY OCCUR AFTER INSTALLATION/INAUGURATION OF NEWLY ELECTED PRESIDENTS IN COSTA RICA, HONDURAS, AND GUATEMALA.

4. WASHINGTON PARTY WILL ARRIVE VIA SAM C-20 AND CONSIST OF:
VADM JOHN POINDEXTER, DESIG. NATIONAL SECURITY ADVISOR TO PRES
ASST SEC OF STATE ELLIOTT ABRAMS
DEP ASST SEC OF STATE WILLIAM WALKER
MR. [redacted]
LTCOL OLIVER NORTH, NSC STAFF
G. PHILIP HUGHES, NSC STAFF
CDR PAUL THOMPSON, MIL ASST TO NATIONAL SECURITY ADVISOR
2 WHCA COMMUNICATORS

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N 31911

5. NATIONAL SECURITY ADVISOR WOULD LIKE TO BRIEFLY VISIT HOST NATION AND U.S. MILITARY UNITS IN THE REGION AND INFORMALLY MEET WITH CERTAIN KEY OFFICIALS INVOLVED IN AIDING THE IMPLEMENTATION OF U.S. POLICY IN THE REGION AS INDICATED BELOW. WASHINGTON PARTY WILL BE INFORMALLY ATTIRED SINCE MOST STOPS WILL OCCUR AT MILITARY INSTALLATIONS. ITINERARY IS PLANNED AS FOLLOWS:

WEDNESDAY, DECEMBER 11, 1985
1830 DEPART ANDREWS AFB
2300 ARRIVE HOWARD AFB PANAMA
(RON QTRS 1 U.S. CINCSO, GEN GALVIN)

THURSDAY, DECEMBER 12, 1985
0730 BREAKFAST AT QTRS 1
0800 DEPART FOR VIP LOUNGE, HOWARD AFB
0830-0900 WD LIKE TO MEET PRIVATELY IN VIP LOUNGE AT HOWARD AFB
[redacted] AMB BRIGGS, GEN GALVIN, ASST SEC ABRAMS
IF AT ALL POSSIBLE.
0900 WHEELS UP FOR SAN JOSE, COSTA RICA
(SAVE ONE HOUR ENROUTE - CHANGE OF TIME ZONE)
0900-1030 WD PREFER MTG AT CARIARI HOTEL OR AIRPORT W/AMB TAMBS,
[redacted] GEN GALVIN, AND REMAINDER OF U.S. TEAM FOLLOWED BY
[redacted]

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N 31912

THURSDAY, DECEMBER 12, 1985 (CONT'D...)

1030 WHEELS UP FOR ILOPONGO AB EL SALVAADOR

1140-1300 MTG AT ILOPONGO W/AMB ED CORR, GEN GALVIN, COL STEELE, AND MILGP CHIEF, AND [redacted]D LIKE TO MEET BRIEFLY W/DEF MIN VIDES AND GEN BLANDON AND BRIEFLY INSPECT AIR FORCE/COUNTER-INSURGENCY ASSETS. BRIEF RE CURRENT OPERATIONS AND DISCUSSION OF COUNTER-TERRORISM PROGRAM WD BE HELPFUL.

1300 WHEELS UP FOR PALMEROLA AB HONDURAS

1330-1530 MTG AT PALMEROLA W/AMB JOHN FERCH, [redacted] GEN GALVIN AT CTF BRAVO. WD ALSO LIKE TO HAVE OPPORTUNITY FOR PRIVATE REPEAT PRIVATE MTG [redacted]

1530 WHEELS UP FOR LA AURORA AB GUATEMALA CITY (GAIN ONE HOUR - CHANGE OF TIME ZONE)

1715-1820 MTG AT LA AURORA AB GUATEMALA CITY W/AMB PIEDRA, GEN GALVIN, [redacted] POLCONS, AND REMAINDER OF U.S. TEAM; WD LIKE TO MEET BRIEFLY [redacted] DISCUSSION OF COUNTER-TERRORISM PROGRAM WD ALSO BE HELPFUL.

1830 WHEELS UP FOR ANDREWS AFB

2400 ARRIVE ANDREWS AFB

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SECRET UNCLASSIFIED N 31913

6. WASHINGTON PARTY REQUESTS ASSISTANCE RE VISAS AND CUSTOMS CLEARANCE IN THAT TIME HAS NOT PERMITTED NORMAL VISA PROCESSING. REGARDS, POINDEXTER.

SECRET UNCLASSIFIED

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Armitage 11 TRIP ITINERARY 11 Dec 85
Iu- 5/20/87

MEMORANDUM FOR THE RECORD

The following individual were manifested aboard the following aircraft: C-20A #30502

Date(s) of Trip: 11 - 12 DECEMBER 1985

N 31891

NAME AND OFFICE	OFFICIAL	UNOFFICIAL	ANDREWS AFB, MD TO HOWARD AFB, PANAMA	HOWARD AFB, PANAMA TO PANAMA CITY	PANAMA CITY TO ANDREWS AFB, MD									
ADMIRAL JOHN POINDEXTER ASSISTANT TO THE PRESIDENT	X		X	X	X									
RICHARD ARMITAGE ASST SEC DEFENSE	X		X	X	X									
ELLIOTT ABRAMS ASST SEC STATE	X		X	X	X									
[redacted]	X		X	X	X									
BILL WALKER STATE	X		X	X	X									
MILITARY/SECURITY PERSONNEL ALSO ON BOARD														

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under provisions of E.O. 12356
by K. Johnson, National Security Council

5093

NOTE: REIMBURSEMENT IS REQUIRED FOR ALL UNOFFICIAL PASSENGERS.

PAGE 1 OF 2

John Nettle
PREPARED BY

UNCLASSIFIED

N 12094

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE 024

Exhibit #12
Tu-5/26/87

MSG FROM: NSRCM --CPUA TO: NSOLN --CPUA 11/26/85 12:57:29
To: NSWUH --CPUA

*** Reply to note of 11/25/85 15:20

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-- SECRET --

NOTE FROM: ROBERT MCFARLANE
Subject: Michael Ledeen
Please tell Mike that I had no opportunity to talk to Peres in Rome but will find a way. On further travel, please pass Mike's message to JMP. I am inclined to think that we should bring this operation into the NSC and take Mike out of it but will await John's thoughts. No further communications to Mike on this until I have thought it through. Just tell him that I am thinking about it. Many thanks.

cc: NSOLN --CPUA NSJMP --CPUA JOHN M. POINDEXTER
 2 Michael Ledeen

[redacted]

[redacted]

[redacted]

[redacted]

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/02/85 09:29:09
To: NSJMP --CPUA

*** Reply to note of 11/29/85 10:39

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: POLLARD CASE
Roger yr last. Pls be advised that based on work over the weekend, Kimche has asked that I get in touch w/ Mendy Meron (DirGen of MOD) who is here in D.C. for the Jt. U.S./Israeli talks. Purpose of meeting is to review modalities for replenishment of Israeli weaps.

POLLARD CASE

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/03/85 16:11:13
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Subject: VP TRIP TO PANAMA & HONDURAS BASED ON CALLS FM FLO, WE CONTACTED ARMITAGE TO ASK HIM TO GO IN VP STEAD. WHILE HE IS WILLING TO DO WHATEVER IS NECESSARY, HE AGREES W/ PAT, DON F., WALKER & I THAT WHITE HOUSE VIS IS ESSENTIAL TO THIS MISSION. ALL ABOVE RECOMMEND THAT WE COMMUNICATE IMMEDIATELY WITH NORIEGA & LOPEZ THAT DUE TO UNFORSEEN EVENTS YOU HAVE HAD TO POSTPONE RATHER THAN CANCEL. WE CAN THEN RESCHED. FOR A BETTER TIME. FURTHER, A FEW MORE DAYS PROBABLY WON'T MAKE THAT MUCH DIFFERENCE AT THIS POINT [illegible].

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Partially Declassified/Released on 10 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

50,94

FINALLY, IF MY READING OF THE TEA LEAVES IS RIGHT, A QUICK TRIP TO CENTAM (INCLUDING A VERY BRIEF STOP IN EL SALVADOR - 2hrs) WOULD HAVE POSITIVE BENEFITS BOTH HERE IN THE STATES AND DOWN THERE SHORTLY AFTER YOU ARE CONFIRMED/ANNOUNCED. PLS ADVISE.

PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/04/85 02:02:55
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

UNCLASSIFIED

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Subject: Current Status of Operation Recovery: Following summary is based on discussions in Geneva among Kimche, Copp, Gorbanifahr and [redacted] which were concluded this weekend, subsequent discussions with [illegible] here in Washington which are continuing, and calls btwn Copp and Kimche's agent (Nimrodi) who is "baby sitting" the Iranians in Paris (where they are are receiving guidance from Tehran).

[redacted]

The attempted transfer through [redacted] of 18 Hawk missiles went awry because the Iranians were in fact seeking a weapons system that would be capable of stopping Soviet reconnaissance flights along the Iranian/Soviet border and on the Iranian/Iraqi border. Gorba rptd that these flights occur regularly and as deep as 40mi inside Iranian airspace. Because Schwimmer and Ledeen were unfamiliar with the operational parameters of the HAWK, they agreed to ship 120 weapons that were totally inadequate to meet the rqmts established by the Iranians. This delivery has created an atmosphere of extraordinary distrust on the part of the Iranians; in Kimche's view, because the credibility of the Gorba [redacted] mission has probably been seriously called into question.

Despite this perception (Gorba said numerous times that this whole thing was a "cheating game" on the part of the Israelis), Copp & Kimche have been able to proceed with a renewed dialogue which still promises hope for achieving our three objectives:

-- support for a pragmatic - army oriented faction which could take over in a change of government
-- return of the five AMCIT hostages
-- no more terrorism directed against U.S. personnel or interests.

From these ongoing discussions, which in two cases included Iranian military officers, Copp and Kimche conclude that the military situation in Iran is desperate. The Iranian descriptions of the state of their equipment, lack of competent management, inability to use much of the remaining U.S. materiel portends the real possibility of a military collapse (at least by the Army) in the near to mid-term. Thus, there is considerable pressure on the interlocutors in Europe to produce - quickly.

Given the relatively low level of competence on the part of the Iranians in Europe, and the fact that any supplies delivered will undoubtedly have to be examined by an Army or Air Force officer, it is very doubtful that a "single transaction" arrangement can be worked out with the parties in Tehran, no matter what is agreed to in Europe. In short, they have been

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N 12096

"screwed" so many times in the past that the attitude of distrust is very high on their part. At the same time, in all discussions (including today's phone calls) they are desperate to conclude some kind of arrangement in the next 10 days and have even asked that the meeting [redacted] in London be advanced. Based on what we can conclude [redacted] we believe that they are very concerned that the hostages (the only Iranian leverage point besides the Jews in Iran) may be killed or captured/released by the Syrians, Druze, Phalange or Amal in the near future. Waite's contacts with the captors seem to corroborate this assessment. In short, time is very short for all parties concerned.

Finally, there is the matter of the longer term strategy for what we should be attempting to accomplish vis a vis the Iran-Iraq war and a more reasonable government in Iran. From my personal discussions with Kimche and Meron it is apparent the the Israelis want: the war to continue at a stalemate, a more moderate Iranian government in the end and will somehow find a way to continue getting their people (Jews) out of Iran through some kind of barter arrangement. In that the first two of their goals are, it would seem, generally congruent w/ our interests, and their last a fact of life, we should probably be seeing the return of the AMCIT hostages as a subsidiary benefit -- not the primary objective, though it may be a part of the necessary first steps in achieving the broader objectives. While Kimche, Meron, Copp and I all agree that there is a high degree of risk in pursuing the course we have started, we are now so far down the road that stopping what has been started could have even more serious repercussions. We all view the next steps as "confidence building" on the part of both sides. None of us have any illusions about the cast of characters we are dealing with on the other side. They are a primitive, unsophisticated group who are extraordinarily distrustful of the West in general and the Israelis/U.S. in particular. They have not the slightest idea of what is going on in our government or how our system works. Today for example, Gorba called Copp in absolute confusion over the fact that Rafsanjani had just received a letter from (of all people) Sen. Helms regarding the American Hostages. Since the Iranians are adamant that they not be publicly connected with the seizure, holding or release of the AMCITs, why, Gorba wanted to know, was Helms being brought into this "solution to the puzzle." Gorba reiterated that "Batti ought to have more control over the members of his parliament" than to allow them to confuse an already difficult problem. Dick told him the letter had nothing to do with what we are about, but Gorba did not seem convinced that this wasn't some sort of effort to embarrass Iran.

Given this very unsophisticated view of things on their part and the distrust that the Iranians obviously feel, we believe that if we stop the current effort at this point and do not at least proceed with a "test" of the current relationship we:

-- run the risk of never being able to establish a "foothold" for the longer term goals in that the people we are dealing with will be totally discredited at home; and
-- incur the greater likelihood of reprisals against us for "leading them on." These reprisals could take the form of additional hostage seizures, execution of some/all of those now held, or both.

While the threat to carry out sanctions against us has not, to my knowledge, ever arisen (it certainly has not since Kimche/Copp/North have been directly engaged -- and Michael never mentioned it), it is interesting to note

N 12097

that when Copp questioned the bona fides of Gorba and his cohorts as capable of delivering on their end of the arrangement, Gorba carefully noted that since these discussions began w/ Michael & Schwimmer, there has not been a single Islamic Jihad bomb threat, hijacking or kidnapping -- and that there would be none if this "worked." D.R., Copp and I regard this to be at least one sign of confidence that this activity may yet prosper. There are some lesser indications of confidence in recent days:

-- in response to Copp's demand for funds to be deposited in advance to defray operational costs, and what the Iranians were told were "purchases" on the arms market" a total of $41M has been deposited;
-- the 18 HAWKs delivered last week have been repackaged and are ready for return to origin on the next available flight;
-- the parties in Europe continue to stress that their requirements are long-term and that they are anxious to get on with a longer range program of Israeli originated support which would include technical assistance w/ sophisticated hardware which is critically needed but deadlined (in this regard Gorba at one point noted that at times they have as few as 50 operational tanks and less than a dozen flyable aircraft).

With all of the above as a lengthy preamble describing two nearly frantic weeks w/ the Israelis & Iranians, the following proposal has evolved which the Iranians today said they wd like to discuss in detail on Saturday:

-- The total "package" from the Israelis wd consist of 50 I HAWKs w/ PIP (product improvement package) and 3300 basic TOWs.
-- Deliveries wd commence on or about 12 December as follows:

```
H-hr:       1 707 w/300 TOWs = 1 AMCIT
H+10hrs:    1 707 (same A/C) w/300 TOWs = 1 AMCIT
H+16hrs:    1 747 w/50 HAWKs & 400 TOWs = 2 AMCITs
H+20hrs:    1 707 w/300 TOWs = 1 AMCIT
H+24hrs:    1 747 w/2000 TOWs = French Hostage
```

All involved on our side recognize that this does not meet one of the basic criteria established at the opening of this venture: a single transaction which wd be preceded by a release of the hostages. However, given the points above regarding the mutual distrust in the dialogue, we all believe it is about the only way we can get the overall process moving. Measures have been taken to reduce the chance for duplicity on the part of the Iranians and to preserve a measure of OPSEC in carrying out the transaction. In the case of a double cross, one of the Iranians will be in the hands of assets we control throughout. One of the [redacted] has already suffered a serious (though apparently not fatal) heart attack after last week's HAWK transaction failed to produce results. The first two deliveries, via 707 freighters are relatively small and if they do not produce the desired outcomes, all else stops. All 3 are now under our control.

OpSEC concerns are threefold: communications, deliveries enroute to Iran and replenishment of the Israeli stocks. To solve the first problem an OPs Code is now in use by all parties. This code is similar to the one used to oversee deliveries to the Nicaraguan Resistance and has never been compromised. The delivery/flight planning security problem has been solved by a much more deliberate selection of aircraft and aircrews

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE 02A

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as well as a series of transient airfields which can be used enroute to the field controlled by the Iranian Army at Tabriz. Appropriate arrangements have also been made to ensure that the overflight of [redacted] is not challenged. All A/C will be inspected by one of the Iranians at a transient location between Tel Aviv and Tabriz. Before the A/C actually crosses into Iranian airspace, the appropriate release(s) must occur. The last OPSEC concern, that of replenishing Israeli stocks, is probably the most delicate issue. The quantity of TOWs requested represents [redacted] [redacted] Meron and I are working w/ the Israeli purchasing office [redacted] ensure that the replenishment can be accomplished quickly after December 12 as possible. All recognize that quantities [redacted] [redacted] degrade Israeli readiness and that the items will need to [redacted] quickly in order to preclude disaffection and leaks. Meron has solved at least one of the problems in this regard by identifying a means of transferring the required cash to an IDF account which will allow cash (rather than FMS credit) purchases from the U.S.

In order to put this plan into action, Kimche, Copp, Schwimmer and Goode plan to meet in London on Saturday morning to review all arrangements. If we are satisfied that all our assets (money, aircraft, aircrews, transit facilities, overflight arrangements and military equipment) are prepared, Copp and Kimche will meet at another hotel with Gorba and [redacted] to finalize the plan. Our side will then reconvene later in the evening at our hotel to review any last minute changes. I wd then call you (using the Ops code), transmit the agreed upon arrangements for approval and, if you concur, Kimche & Copp will meet again w/ the Iranians on Sunday a.m. to express our agreement with the plan. Copp & Goode wd return to the U.S. Sunday p.m. on separate flights. On the 11th, the day before the plan is to be executed, Copp will establish a CP in [redacted] at the [redacted] controlled airfield [redacted] where he can monitor implementation and stop it at any point we desire. The secondary fields [redacted] [redacted] will be covered by Copp controlled assets who are not witting of the true origin, destination or contents of the A/C but who can "fix" things in a hurry if something goes wrong. One of our other people will be in contact in [redacted] throughout.

[redacted]

Once in hand, the hostages will be flown [redacted] to Larnaca on our Navy HH-53 where they will be picked up by a EUCOM C-141 and flown to Wiesbaden for debriefing. 10hrs later Oakley will proceed from Andrews AFB to Wiesbaden with family members -- thus allowing us 24 uninterrupted hours for debriefing. The debrief team will be staged at Wiesbaden 12 hours in advance, just as we did two weeks ago without notoriety. Dewey is the only other person fully witting of this entire plan. Copp is not briefed on [redacted] - though he suspects. The Israelis are in the same position. Dewey and I have been through the whole concept twice looking for holes and can find little that can be done to improve it given the "trust factor" with the Iranians. In that all parties involved have great interest in keeping this as quiet as possible, [redacted] [redacted] we believe it to be worth the risk. I have not confided in Dewey re the longer term goals

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FILE: NOTF [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE 02

we could/should hope to achieve. Thus, the only parties fully aware of all dimensions of what we are about are you and RCM.

I have given careful consideration to what you suggested re an RCM meeting with the Iranians in an effort to obtain release of the hostages before starting on an effort to undo the present regime in Tehran. Like you and Bud, I find the idea of bartering over the lives of these poor men repugnant. Nonetheless, I believe that we are, at this point, barring unforeseen developments in London or Tel Aviv, too far along with the Iranians to risk turning back now. If we do not at least make one more try at this point, we stand a good chance of condemning some or all to death and a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying one last time are even greater.

PRIVATE BLANK CHECK

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[redacted] 8

T[redacted]5

*[redacted]

[redacted]

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 8
14/05/85 20:04:00
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

[redacted]

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PRIVATE BLANK CHECK 1 B
NSU FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/05/85 22:12:05
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

N 12100

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Re yr trip to Central America

IAW yr instructions, Elliot Abrams was approached re his views on yr travelling thru CENTAM next week. Elliot has responded that he believes such a trip to both necessary and urgent. The trip wd be "billed" as a quick tour through the region to confer w/ top ranking U.S. officials to reinforce the continuity of U.S. policy in the region. In each location you wd meet w/ the U.S. Ambassador and be accompanied by Gen Jack Galvin, the senior U.S. Military Representative. This approach will provide a plausible cover for delivering the messages we need sent [redacted] both of whom will want to congratulate you on your new post. Since you are making a "whirlwind" trip to the region to see U.S. officials, not host governments (we do need to commit to such a visit at some date in the future -- after the installation of the newly elected governments in Costa Rica, Honduras, and Guatemala in January) it will make sense that you do not see heads of state or political leaders on this visit. After the trip we wd background that the purpose of your first "secret" trip was to meet privately w/ U.S. Officials re the steadfastness of the President's policy, that even though our approach was very closely identified w/ RCM, yr ascendency connotes no change and that the region was so important that you went there first and will return at a later date to meet w/ the new democratically elected leaders. Elliott shares the belief that this will have a salutory effect on our friends in the region, the Congress and our adversaries for this to "come out" after you return. Privately, it will help to ensure that those engaged in the process back here recognize your stature as the new National Security Advisor. In short it helps all around.

Because your time is so very valuable, a trip has been devised so that you will be absent fm the U.S. for only one day and yet be able to stop in each country. Following general itinerary is proposed:

TIME (local)	LOCATION	MTG WITH
1900	Depart Wash. enroute Panama	
2330	Arrive Howard AFB Panama (RON qtrs 1 U.S. CINCSO, Gen Galvin)	
0730 (next day)	Breakfast, Qtrs 1	
0820	Depart for VIP lounge, HowardAFB	
0830-0900	Mtg in VIP lounge [redacted]	Briggs, Galvin, Abrams
0900	Wheels-up for San Jose, Costa Rica Save one hr enroute - change of time zone	
0900-1030	Mtg at Cariari hotel w/ Tambs & CtryTeam, Galvin, plus [redacted] remainder of U.S. Team	
1030	Wheels-up for Ilopango A.B. El Salvador	
1130-1300	Mtg at Ilopango w/ Ed Corr, MilGp Chief, and "hand shake" [redacted] Inspect Air assets. Ops Brief re current operations. Disc. C/T program	Corr, Galvin, Steele, Rest of U.S. Tm

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FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE 031

N 12101

1300 Wheels-up enroute Palmerola A.B., Honduras
1400-1530 Mtg at Ilopango w/ John Ferch, CTF Bravo, Ferch, Galvin, Garcia, MilGp Cdr, & 1/2hr "chance" mtg w/ [redacted] Best of U.S. Team
1530 Wheels-up Enroute to Guatemala City
1630-1800 Mtg at La Aurora A.B., Guatemala City w/ Piedra, Galvin, Mejia
Amb. [redacted] PolCons; Best w/ [redacted] Galvin returns
support to resistance, [redacted] Panama
1800 Wheels-up enroute Andrews AFB
2000 Arrive Andrews AFB (Gain 1hr enroute - time zone change)

From perspective of all concerned, best travel date seems to be to depart

PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/05/85 22:43:21
To: NSJMP --CPUA JOHN M. POINDEXTER NSJMP --CPUA JOHN M. POINDEXTER

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

The DAMNED Machine just ate half the note: text below is reconstruction of remainder of text re yr CENTAM Trip.

From perspective of all concerned, best travel time seems to be to depart on Weds p.m. and return on Thurs p.m. Earlier departure conflicts with Elliott's ability to attend and later schedule would preclude Galvin accompanying. Since you should get to know both well, it would be best to take the Wed Thurs time-frame if at all possible. Your schedule is equally bad for all dates, unless you choose to travel on a Fri Sat schedule. Only disadvantage here may be complications in trying to meet with local officials who tend to disappear on weekends.

If you agree with the general approach indicated above, we will task appropriate planning in a very small circle, along the lines of the plan we sent forward earlier in the week, but expanded to include the new stops. Elliott is enthusiastic about the approach and necessity. [redacted] and I both agree that we can wait that long to get th[redacted] but not much longer. Given the calls from [redacted] the reassurance you will provide will be much appreciated by our friends -- and the cause for great concern in Cuba and Managua. Pls advise.

*** Forwarding note from NSOLN --CPUA 12/05/85 22:12 ***
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Re yr trip to Central America
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N 12102

reinforce the continuity of U.S. policy in the region. In each location you wd meet w/ the U.S. Ambassador and be accompanied by Gen Jack Galvin, the senior U.S. Military Representative. This approach will provide a plausible cover for delivering the messages we need sent to [redacted] [redacted] both of whom will want to congratulate you on your new post. Since you are making a "whirlwind" trip to the region to see U.S. officials, not host governments (we do need to commit to such a visit at some date in the future -- after the installation of the newly elected governments in Costa Rica, Honduras, and Guatemala in January) it will make sense that you do not see heads of state or political leaders on this visit. After the trip we wd background that the purpose of your first "secret" trip was to meet privately w/ U.S. Officials re the steadfastness of the President's policy, that even though our approach was very closely identified w/ RCM, yr ascendency connotes no change and that the region was so important that you went there first and will return at a later date to meet w/ the new democratically elected leaders. Elliott shares the belief that this will have a salutory effect on our friends in the region, the Congress and our adversaries for this to "come out" after you return. Privately, it will help to ensure that those engaged in the process back here recognize your stature as the new National Security Advisor. In short it helps all around.

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1030	Wheels-up for Ilopango A.B. El Salvador	
1130-1300	Mtg at Ilopango w/ [redacted] and "hand shake w/ [redacted] [redacted] inspect Air assets. Ops Brief re current operations. Disc. C/T program	Corr, Galvin, Steele, Rest of U.S. Tm
1300	Wheels-up enroute Palmerola A.B., Honduras	
1400-1530	Mtg at Ilopango w/ John Ferch, CTF Bravo, MilGp Cdr, & 1/2hr "chance" mtg [redacted]	Ferch, Galvin, Garcia, Rest of U.S. Team
1530	Wheels-up Enroute to Guatemal City	
1630-1800	Mtg at La Aurora A.B., Guatemala City w/ [redacted] PolCouns; Host w/ [redacted] Support to resistance, Disc.C/T programto Panama	Piedra, Galvin, Mejia Galvin returns
1800	Wheels-up enroute Andrews AFB	
2000	Arrive Andrews AFB (Gain 1hr enroute - time zone change)	

From perspective of all concerned, best travel date, seems to be to depart

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ARMITAGE EX.
13

24 JAN 86

Tu-5/26/87

MSG FROM: NSWRP --CPUA 01/24/86 10:56:23
To: NSWGH --CPUA

N 10108

NOTE FROM: BOB PEARSON
Subject: Meeting on Contra Aid
FYI in case question comes up or Armitage should call. Thanks.
*** Forwarding note from NSRFB --CPUA 01/24/86 09:59 ***
To: NSWFM --CPUA DONALD FORTIER NSWRP

NOTE FROM: Raymond Burghardt
SUBJECT: Meeting on Contra Aid

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I just got a call from Rich Armitage, who was politely registering a protest that he was not invited to the meeting this afternoon. He said he was in the meeting on Tuesday and had "left his calendar cleared" in expectation of a meeting today, but never got a call. He was aware that you had convened a session for this afternoon. I just said that when I got back from my trip I found a meeting was scheduled but didn't know much about it and thought it was only you, Elliott and myself. I recommend we leave the composition unchanged, because it would be impossible to discuss diplomatic initiatives with Defense there.

cc: NSOLN --CPUA
cc: NSFEG --CPUA

Partially Declassified/Released on 11 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

5082

MSG FROM: NSWRP --CPUA 01/24/86 11:32:34
To: NSRFB --CPUA

NOTE FROM: BOB PEARSON
Subject: Meeting on Contra Aid
From Fortier.
*** Forwarding note from NSDRF --CPUA 01/24/86 11:26 ***
To: NSWRP --CPUA

*** Reply to note of 01/24/86 10:55

Fortier File-1
12/18/86
-RWK

-- SECRET --
NOTE FROM: DONALD R. FORTIER
Subject: Meeting on Contra Aid

RAY, RICH WAS THERE LAST WEEK WHEN WE DISCUSSED THE NEED FOR A DIPLOMATIC COMPONENT. HE KNOWS ELLIOTT WAS TASKED TO PRODUCE A PAPER FOR TODAY. HIS NOT GETTING AN INVITATION WAS AN OVERSIGHT. I TAKE YOUR POINT, BUT THINK WE NEED TO INCLUDE HIM. WE DISCUSSED WITH ABRAMS AND MICHEL THE COMPOSITION OF THE POLICY GROUP, AND THEY AGREED THAT WE SHOULD INCLUDE RICH BUT NOT JCS OR NESTOR. I THINK THEN THAT WE HAD BETTER ACKNOWLEDGE THE OVERSIGHT AND INVITE RICH. IF WE HAVE TO HAVE A MORE PRIVATE SESSION LATER WE CAN. BUT WE HAVE A LOT OF WORK TO DO TODAY - THAT CAN'T WAIT - ON THE COMPOSITION OF THE PACKAGE, ROLE OF DEFENSE IN TRAINING, ETC.

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MSG FROM: NSWGH --CPUA 01/24/86 12:15:28
To: NSOLN --CPUA NSRKS --CPUA
NSRFB --CPUA

N 10109

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-- SECRET --
NOTE FROM: WILMA HALL
SUBJECT: Today's 4:00 pm Mtg

Don Fortier has decided he is going to need more time with the just the participants of the 3:00 pm group to discuss Contra Aid Issue. Therefore, he has asked me to reschedule the 4:00 pm mtg re legis strategy of Contra Aid Issue to 10:00 am, Mon, Jan 27 -- same participants as 3:00 pm group plus legis types. This note is your notification of change -- all others have already been informed by me via phone.

cc: NSFH --CPUA NSJLC --CPUA
NSJMH --CPUA NSWRP --CPUA
NSCEC --CPUA

10:00 am, Mon. 1-27-86

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under provisions of E.O. 12356
by K. Johnson, National Security Council

Fortier Files -2
12/18/86
rwk

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N 10110

THE WHITE HOUSE
WASHINGTON

Wilma —

I need to set up mtg for Friday on Contra aid issue.

3:00 Abrams, Michel, [illegible] 5:08
North, [redacted] [illegible]
Ray Burghardt
in my old office

4:00 This group +
W. Ball, B. Olgesby, x2230 ([illegible])
P. Buchanan x2174, Ron Sable

B. is welcome to bring
Pam Turner and Alan Kranowitz

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by K. Johnson, National Security Council

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MSG FROM: NSWRP --CPUA /24/86 10:56:23
To: NSWGH --CPUA

N 10111

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Subject: Meeting on Contra Aid
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To: NSWFM --CPUA DONALD FORTIER NSWRP

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SUBJECT: Meeting on Contra Aid

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cc: NSOLN --CPUA
cc: NSFEG --CPUA

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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MSG FROM: NSWRP --CPU 01/24/86 11:32:34
To: NSRFB --CPUA

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N 10112

NOTE FROM: BOB PEARSON
Subject: Meeting on Contra Aid
From Fortier.
*** Forwarding note from NSDRF --CPUA 01/24/86 11:26 ***
To: NSWRP --CPUA

*** Reply to note of 01/24/86 10:55

-- SECRET --
NOTE FROM: DONALD R. FORTIER
Subject: Meeting on Contra Aid

RAY, RICH WAS THERE LAST WEEK WHEN WE DISCUSSED THE NEED FOR A DIPLOMATIC COMPONENT. HE KNOWS ELLIOTT WAS TASKED TO PRODUCE A PAPER FOR TODAY. HIS NOT GETTING AN INVITATION WAS AN OVERSIGHT. I TAKE YOUR POINT, BUT THINK WE NEED TO INCLUDE HIM. WE DISCUSSED WITH ABRAMS AND MICHEL THE COMPOSITION OF THE POLICY GROUP, AND THEY AGREED THAT WE SHOULD INCLUDE RICH BUT NOT JCS OR NESTOR. I THINK THEN THAT WE HAD BETTER ACKNOWLEDGE THE OVERSIGHT AND INVITE RICH. IF WE HAVE TO HAVE A MORE PRIVATE SESSION LATER WE CAN. BUT WE HAVE A LOT OF WORK TO DO TODAY - THAT CAN'T WAIT - ON THE COMPOSITION OF THE PACKAGE, ROLE OF DEFENSE IN TRAINING, ETC.

cc: NSWGH --CPUA NSJMH --CPUA

Partially Declassified/Released on 11FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

UNCLASSIFIED

Corrected

RPTS MAZUR

DCMN DONOCK

DEPOSITION OF MARTIN L. ARTIANO

Friday, July 31, 1987

4958

House of Representatives,
Select Committee on Investigate
Covert Arms Transactions with Iran,
Washington, D.C.

The select committee met, pursuant to call, at 10:00 a.m., in Room B-352, Rayburn House Office Building, Thomas Fryman [Staff Counsel to the House Select Committee] presiding.

On behalf of the House Select Committee: Thomas Fryman, Staff Counsel; Spencer Oliver and Bert Hammond, Associate Staff Counsel; and Kenneth R. Buck, Assistant Minority Counsel.

On behalf of the Senate Select Committee: James E. Kaplan and Thomas McGough, Associate Counsel.

On behalf of the Witness: Thomas P. Meehan, Attorney at Law, Sherman, Meehan & Curtin, P.C.

Partially Declassified/Released on [illegible]
under provisions of E.O. 12356
by D. Sirko, National Security Council

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MR. FRYMAN: Okay, shall we swear the witness?

NOTARY: Hi. My name is Charlie Vallen. I am from the Sergeant at Arms Office. I am a notary for the District of Columbia.

Whereupon,

MARTIN L. ARTIANO

was called for as a witness and, after being duly sworn, was examined and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. FRYMAN:

Q Will you state your full name for the record?

A Martin L. Artiano. A-r-t-i-a-n-o.

Q Mr. Artiano, you are appearing today pursuant to subpoena, are you not?

A Yes, sir.

Q And you are represented by Thomas P. Meehan as your counsel?

A That is correct.

MR. FRYMAN: For the record, I just want to state that prior to the deposition, Mr. Meehan has received copies of the resolution establishing the House Committee, House Resolution No. 12, as well as a copy of the rules governing the operation of the House Committee.

MR. MEEHAN: Yes, I have.

BY MR. FRYMAN:

Q Mr. Artiano, what is your occupation?

A I am an attorney.

Q Where do you work?

A I am a partner at the law firm of Anderson, Niebl--N-i-e-b-l, Nauheim--N-a-u-h-e-i-m, and Blair--B-l-a-i-r.

Q That located here in Washington, D.C.?

A Yes, sir.

Q How long have you been a partner in that firm?

A I have been a partner, I believe, for four years.

Q That would be since 1983?

A Yes, sir, I think that is correct.

Q And were you employed by that firm before then?

A I was.

Q In the position of an associate?

A Yes, sir.

Q And for how long were you an associate there?

A I believe for two years.

Q Is there any particular area of legal practice in which you specialize?

A I guess I specialize in administrative law. My focus over the last several years has been in real estate transactions.

Q You are a member of the District of Columbia Bar?

A Yes, sir.

Q When were you admitted?

A Well--I guess '82 or '83; I was a member of the California Bar prior thereto, and I believe a year or two after I arrived, I became a member of the D.C. Bar.

Q When were you admitted to the California Bar?

A 1975.

Q Are you a member of the Bar of any other jurisdictions?

A No, sir.

Q Where did you receive your undergraduate degree?

A New York University.

Q What year?

A 1970 or '71, I am not certain.

MR. FRYMAN: Off the record.

[Discussion off the record.]

MR. FRYMAN: Okay. Back on the record.

BY MR. FRYMAN:

Q You received your undergraduate degree in 1971 from NYU?

A I believe it was.

Q And your major was what?

A I think I had a combined major, political science/philosophy major.

Q And when did you graduate from law school?

A 1975.

Q And what was the law school

A California Western.

Q Where is that located?

A San Diego.

Q Were you enrolled in law school for four years?

A No.

Q Did you work for a year between?

A No, I attended the Masters in Finance Program at New York University for a year.

Q And did you receive a degree from NYU?

A No, I left--my Master's Degree? I left to begin law school prior to completing the master's program.

Q You received your law degree in 1975, and you began work at your present firm in Washington in approximately 1981--

A That is correct.

Q --as I understand it.

Would you identify chronologically the jobs that you held between law school and between the time you began with your present firm?

A Well, through 1976, I was a staff assistant to Mr. Reagan in his bid for the nomination, which was as we all know unsuccessful. After returning to San Diego, I can't tell you exactly how months after returning I became a partner in the law firm of Wasserman--W-a-s-s-e-r-m-a-n, Geile--G-e-i-l-e, and Aftiano.

In 1979, I guess, or late '79, early '80, I can't recall exactly when, I became involved in Mr. Reagan's '80 campaign, and stayed through--through the general election.

Thereafter served--I served on the transition team, served briefly as Acting Deputy Assistant Secretary of State, served briefly as Acting Deputy Assistant Secretary for the Bureau of International Organizations and left approximately--left State approximately May or June of '81 to begin work with Anderson-Hiebl.

Q Prior to your work with Ronald Reagan in 1975 and 1976, had you worked with him in any capacity?

A No, sir.

Q How did you obtain the job in 1975?

A I was clerking for a law firm in San Diego and one of the clients of that law firm was a gentleman who was--I guess a friend of ex-Governor Reagan's, knew of his intention to declare for the nomination, and I was asked by the--one of the attorneys for whom I worked at the time to take a trip to Lafayette, Louisiana, and did so with Mr. Reagan--did so.

Spent a week, and at the end of the week was invited by Mr. Reagan and his immediate staff then to stay on board throughout the campaign.

Q What were your responsibilities during the period in 1975 and 1976?

A I was doing advance operations--I guess is the best way to describe it.

Q Can you elaborate on what that involved?

A That involved preceding the candidate to this intended destination and making arrangements for him and for his party while he was there, for arranging whatever speaking or meeting agenda items were to take place.

At that stage of his run for the nomination, there were very few of us, so our responsibilities occasionally spilled over into other areas.

We would collect information where it was feasible or felt it might be interesting to one of the advisors to Mr. Reagan, and served in some capacities as a quasi-personal aide when he arrived--from the time he arrived until the time he departed, and supervised to the extent that this was the case, other advance people who were on ground working that site and worked closely with the Secret Service to ensure the security of the candidate.

Q To whom did you report in this job?

A I reported principally to Chuck Tyson.

Q And what was his position?

A You know, I can't remember titles. He may have been Director of the Advance Operations--I guess it would be--fairly accurate description of his role.

Q Did you have in this job daily contact with Ronald

Reagan?

A No. To the extent that I was on the ground and he was there from the time he arrived until he left, yes, I had daily contact with him.

Q Did you first meet him in connection with this trip to Louisiana that you described?

A Yes, sir.

Q And how many months--let me rephrase the question. You say this job extended from 1975 to 1976. How many months did this involve? Was this six months or eight months?

A I couldn't be precise in my answer to that. It was probably around six to nine months, although I am not certain.

Q Okay.

And during this period of time, is it correct to say that normally, you would have personal contact with Ronald Reagan at least every week?

A I guess that is probably a fair estimation.

Q And there was some periods of time when you would have daily contact with him?

A Yes, sir.

Q And some periods when you would not meet with him personally for several days, I take it?

A That is correct; I think for purposes of clarification, I was not an advisor to Mr. Reagan at the time, so my contact was in the form of advance man's contact. It was not the kind of contact where we would sit down and chat or where he would discuss issues with me.

. Q Did he call you by your first name?

. A I think after a while, he probably did. I guess I he did.

. Q Did you call him by his first name?

. A No.

. Q What did you call him?

. A I called him Governor.

. Q You say there were a number of advance men doing this type of job. Approximately how many were there during this period?

. A I think back in '76, I would guess there were full-time somewhere between seven and 10 of us in the country. There were just very few.

. Q And you understood that you reported to Chuck Tyson.

. A That is correct.

. Q Now, what was the chain of command above Tyson, as you understood it?

. A Well, certainly Mr. Deaver was almost always with Mr. Reagan in those days, and final decisions to the extent that I was certainly aware of them or advised of them were in Mike's hands, in terms of the nature of operations that I

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was involved in.

Mr. Meese was not at that point--in my recollection. Mr. Meese was not always present on these trips with Mr. Reagan, but he was certainly there a significant amount of the time.

Mr. Nofziger was the Press Secretary I believe then, and other than those three people, I had no contact--virtually no contact with John Sears, who was our Campaign Manager then, and that was pretty much the circle of people that I dealt with on a regular basis.

. Q Were you on a first-name basis with Mr. Deaver?

. A Yes.

. Q How frequently did you speak with him and confer with him, on the average?

. A Well, any time I was on the ground at a location at the same time the Governor was there, I saw Mike regularly.

. Q So it would be more than once a week?

. A Probably.

. Q And sometimes maybe periods of every day?

. A Sure.

. Q Were you on a first-name basis with Mr. Meese?

. A Yes.

. Q How frequently did you have contact with him or meet with him?

. A Not often. We didn't--I frankly think at that stage,

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wouldn't characterize our contact as meetings, I guess. I didn't sit in on any of the policy meetings. It was certainly several times a month.

It's hard to go back and estimate. I may have seen him more than that if he were traveling a lot around--

Q Is it fair to say you would see him in a room from time to time, and he would speak to you and you would speak to him?

A Sure. You have to put this in perspective. My principal responsibility was to create events essentially, and make sure they ran smoothly, and when Meese was traveling with then-Governor Reagan, he was there, and while the Governor was speaking, for example, during a dinner, the staff would huddle at a table in the back of the room, if it was a dinner or a speech and talk, and evenings we would occasionally get together.

Q Were you on a first-name basis with Mr. Nofziger?

A Yes.

Q How frequently during this period did you see Mr. Nofziger?

A I would guess about the same number of times I saw Mr. Meese, because Mr. Nofziger also traveled, I believe, pretty much and stayed with Governor Reagan.

Q The campaign came to an end, and you got a job with the firm in San Diego that you identified, the Wasserman firm.

A Yes, not immediately after I returned. It was probably six to nine months after I returned. I am guessing at a stretch of time here.

Q Were you taking a sabbatical for a while?

A No. I was--I was doing a couple of things. I had a friend who I had graduated law school with who was then representing some artist in Los Angeles, and he involved me in that briefly, and I looked at a couple of other things.

I was looking around, and trying to make some decisions.

Q And then you found this opening with the Wasserman firm?

A Yes. I had graduated with Mr. Geile. Mr. Wasserman was about 20 to 25 years older than we were.

Q And joined that firm as a partner.

A Yes.

Q And you worked there for approximately four years?

A Three, three and a half years--I guess until I started with--until I rejoined the Reagan campaign in 1979.

Q During this period, did you continue to have contact with Mr. Deaver?

A No. I received--we exchanged letters on a couple of occasions. I believe I saw Mr. Deaver certainly a few times during a stretch. Those were occasions when Governor Reagan would be in San Diego, for example, to speak to a group or attend a dinner, and I would get a call and assist in the advance work.

Q During this period, did you--did you meet with Governor Reagan at any time?

A Had no private meetings with Governor Reagan. I was with him at at least one event I can clearly recall, but had very little contact with him. Maybe on one or two occasions.

Q Did you continue on speaking terms with him? He would speak to you and you would speak to him. He would call you Marty and you would call him Governor?

A I think after the passage of about a year, I am sure someone refreshed his memory as to names before we saw each other. We didn't have any in-depth or extensive conversations.

I think the longest stretch of time I ever spent individually speaking to Mr. Reagan, and was waiting in the back of a limousine, because we were early for an event, and it was delightful.

Q But Mr. Deaver would look to you for--

A He would look first, I think, to Mr. Tyson. Mr. Tyson would then call me and perhaps one or two other people, depending on the nature of the event.

Q And again, Mr. Tyson was your superior in the campaign, Chuck Tyson?

. A Yes, sir.

. Q And was he located in San Diego also?

. A Yes, he was.

. Q Was he a lawyer in San Diego?

. A No.

. Q Did you specialize in any particular area of practice when you were at the Wasserman firm?

. A We had a pretty general practice. There were only the three of us in that firm. I think for a period of about a year, we had one associate and perhaps had some clerks working for us throughout.

. Q During this period, we talked about your dealings with Mr. Deaver. Did you have any contacts during this period with Mr. Meese?

. A I may have seen him a couple of times. Again, in the same circumstances when Governor Reagan was around, but we didn't get together by ourselves.

. Q Did you have any contacts with Mr. Nofziger?

. A I guess the same answer, same kind of scenario.

. Q You testified that you later became involved in the 1980 campaign on behalf of Ronald Reagan?

. A That is correct.

. Q How did you get a job in the 1980 campaign?

. A Well, I was called by--I don't recall whether the telephone call came from Chuck Tyson or Ed Meese, but I was asked to come up to Los Angeles initially for a couple of weeks to help them organize a national advance operation--scheduling an advance operation.

. Q Approximately when was this call?

. A I couldn't tell you. I honestly don't recall what month it came in. If we track back to the beginning of the '80 campaign, it would be right about then.

. Q Would it have been in 1980?

. A You know, I don't know. I don't know whether we started it in 1980 or whether we got started in '79. I honestly couldn't tell you.

. Q And did you, in response to this call, go to Los Angeles for two weeks to help organize?

. A I did. I didn't stay there. I flew up every morning and flew back every night for a couple of weeks.

. Q Who were you reporting to in this capacity?

. A I was working again with Mr. Tyson principally.

. Q Did you have contact with Mr. Deaver?

. A Yes.

. Q Daily contact?

. A I don't know. All of us were in the office in Los Angeles--within the Deaver-Hannaford office. That is were we were putting this together. Deaver--H-a-n-n-a-f-o-r-d. They have a public relations firm in Los Angeles, and Governor

Reagan's office was in there as well, so although I don't have any specific recollection, I am sure I saw Mike quite frequently then.

Q What was the frequency of your contact, if there was any, with Mr. Meese during this period?

A Well, I guess Mr. Meese and I saw each other very regularly, because we would occasionally be taking the same flight up in the morning. He also was returning to San Diego in the evenings, taking a 6:30 PSA shuttle up and an 8:30 shuttle back, and we would often to that together.

Q You would sit next to each other on the plane?

A Sometimes.

Q Was Mr. Tyson also commuting from San Diego?

A Occasionally he was flying back and forth. We would sometimes take a room--there were two hotels immediately across the street from the building--depending on the workload.

If it got too late, we would overnight in Los Angeles.

Q What was Mr. Meese's role in this two-week organizing effort?

A Well, I wasn't--I don't know exactly what Mr. Meese [illegible] doing. I was not working with Mr. Meese during those two weeks. We saw each other commuting, I am sure, occasionally talked to each other in the office, but I couldn't tell you what Mr. Meese was doing.

. Q Did you have contact with Mr. Nofziger in this period?

. A You know, I don't remember a lot of contact with Mr. Nofziger. As a matter of fact, I am not sure that Mr. Nofziger was then working with the campaign at the very beginning. I think he rejoined us maybe a month later or so, although--those dates may not be exactly accurate.

. Q You indicated that Governor Reagan or then-Governor Reagan had an office in this same group of offices where you were working.

. A That is correct.

. Q Did you have contact with him during this period?

. A Probably not. I don't remember. I have have seen him. He wasn't spending all day in the office. He would occasionally come to the office and spend some time or have meetings, but not with me.

. Q Who was in charge of the campaign efforts at this point?

. A Well, I think by that time, as far as I was concerned, anyway, Ed Meese was in charge of the campaign effort. I believe John Sears was already out of the picture at that point.

. Q Did William Casey have any role in the campaign at this point?

. A No. At that point, I didn't even know who Mr. Casey was.

. Q So, your initial involvement in the 1980 campaign came through the request that you come up and work in this two-week organizing effort, and you responded affirmatively to the request?

. A That is correct.

. Q Now, what happened after that that led to your longer-term involvement in the campaign?

. A I got caught up in it once again. We scheduled--the Convention was scheduled for Detroit. I was named head of logistics for that, head of operations, I guess, for that Convention.

. Although, as it turned out, I shared that role with a couple of people once we got to Detroit who had a lot more experience than I did in doing that type of thing, and subsequent to the convention was invited to come back to Washington, D.C., where we were opening our office for the general campaign, and did.

. Q You say got caught up in it after this two-week period. By that, do you mean that you were continuously involved in the campaign in one way or another after this initial two-week organizing period?

. A Yes, sir.

. Q When was the Convention in Detroit?

. A Either July of August.

. Q Of 1980?

. A 1980, yeah.

. Q Is it correct that you worked for several months in the campaign in advance of the Convention?

. A I couldn't tell you exactly how long a period it was. It was probably six weeks, two months, in that vicinity. Maybe more.

. Q Were you based in Detroit during this period?

. A No, I was based in Los Angeles. I stayed in Detroit--I probably arrived in Detroit 10 days to two weeks prior to the Convention, by my best recollection. And then stayed through the [redacted] convention and then left immediately after the [redacted] convention.

. Q Who was your superior during this period?

. A Chuck Tyson.

. Q Tyson again.

. What was the frequency of your contact with then-Governor Reagan?

. A During which period?

. Q From the initial organization meeting that you described, the two-week organization period, up through the [redacted] Convention

. A It was infrequent. There were one or two occasions where I was asked to go out on an emergency to a site that

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he was planning to visit, so I would assume then--a quasi-advance role and have some contact with him in that sense.

. Didn't spend much time with him during the ~~Colonel~~ conven- ~~[illegible]~~ tion period when he was in Detroit.

. Q What was the frequency during this period that we have just described of your contact with Mr. Deaver?

. A I guess I saw Mike or spoke to him fairly regularly. I don't know if that is every day, twice a day, every other day, but--

. Q On the average, several times a week?

. A I am sure several times a week.

. Q Would the same have been true with respect to Mr. Meese?

. A No.

. Q How often would you--

. A Less frequently with Mr. Meese. I had no specific reason to have--been having discussions with Mr. Meese. We were friends, so when he was there, I would chat, socially, or principally we talked about some event I had done or he had a comment on. We had no regular contact.

. Q Is it correct that during this period, you work responsibilities did not involve Mr. Meese?

. A That is correct.

. Q Did your work responsibilities involve Mr. Deaver?

. A Yes.

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. Q In what way?

. A Well, Mr. Deaver was--I don't know how to describe it. He was an advisor to the President--to Mr. Reagan then, and all scheduling and advance operations ultimately were cleared through Mr. Deaver, so I had reason to have contact with him--occasionally alone, more frequently with Mr. Tyson and Mr. Deaver when we would review something.

. They weren't typically extensive contacts or meetings.

. Q Did you understand that Mr. Tyson reported to Mr. Deaver, in effect?

. A Yes.

. Q Was Mr. Nofziger involved in the campaign by this point?

. A Yes.

. Q How frequent were your contacts with him, if any?

. A I would probably describe that the same way I described my relationship with my contact with Mr. Meese, although Mr. Nofziger and I were friendlier and closer than I think I was to Mr. Meese.

. So, we might occasionally in Detroit, for example, go out and have a cup of coffee at the end of the day, or we went down and got ice cream at a shop a couple of times. I didn't do that with Mr. Meese.

. Q Your job responsibilities did not involve any reporting to or association with Mr. Nofziger; is that correct?

. A That is generally correct, although clearly in terms of the press aspect of an advance operation, Mr. Nofziger has some play in that, and I know that Mr. Nofziger worked with Mr. Deaver and Mr. Meese in terms of making ultimate scheduling and appearance decisions.

. Q Who was the Campaign Director during this period prior to the [redacted] convention?

. A It is a good question. I think--I am not exactly sure whether Mr. Sears was permanently out of the picture and whether Mr. Meese assumed that role until such time as Mr. Casey was run on board. I can't give you precise dates.

. Q Did you have any contact with Mr. Casey during this period prior to the [redacted] convention

. A No.

. Q When did you first meet Mr. Casey?

. A After I had returned to Washington, D.C. post-[redacted] convention, so it would be August, September, the earliest.

. Q In some of your prior answers, Mr. Artiano, you have given some description of your work during this period prior to the [redacted] convention after the two-week organizational period, but I think it would be helpful for the record if you could just specifically summarize exactly the type of work you were doing in this period and what your responsibilities were?

A We are talking about prior to and during the ~~Colonel North~~ convention?

Q Yes.

A Prior to the ~~Colonel North~~ convention, we were attempting to set up a network of advance people around the country, and that took up a great deal of my time contacting these people, interviewing them, finding out what kind of experience they had--we had people out already at that point, advance people, in the field who were calling in because they were looking at potential sites for visitation.

We were discussing the ~~Colonel North~~ convention and working on plans for the ~~Colonel North~~ convention during that stint in Los Angeles and that is the--the detailing of that, as you can imagine, is unbelievable, and I worked to a great extent with United Airlines. We were chartering several jets from United Airlines, and in fact, we were reconfiguring them, and I did some work on that during this period of time.

We had meetings in Los Angeles where we would call in people who had experience in Presidential campaigns, and have lengthy meetings with them, just seeking advice and recommendations about people, about procedures, about the ~~Colonel North~~ convention, about that sort of thing.

And frankly, on my own initiative, I started looking into the debates which I was anticipating, and in that connection, flew a gentleman out from Virginia who had some logistical expertise in setting up these debates.

. He recommended, sensing my interest, that I collect certain data that he recommended to me, certain books and briefing materials that were available to the public, and also--also highly recommended a gentleman who is a debate consultant with whom I met after I returned to Washington, and indeed, consulted to the regular organization subsequently.

. Q Were you involved in fund-raisings at all?

. A I really wasn't. I set up certainly as an advance man several fund-raisers in terms of just finding a location for it. I had a number of conversations during the course of my advance--advancing with fund-raisers, people who were setting these things up, but I wasn't collecting or soliciting any money.

. MR. FRYMAN: Off the record a second.

. [Discussion off the record.]

. MR. FRYMAN: Okay.

. BY MR. FRYMAN:

. Q Mr. Artiano, is it your best recollection that Mr. Casey was not involved in the campaign prior to the ~~Colonel Month~~ convention?

. A From my perspective in the ~~Colonel Month~~ convention, he wasn't.

I hadn't met Mr. Casey. I don't remember when the first time I heard his name was, whether it was pre-~~Colonel North~~ convention or during the ~~Colonel North~~ convention. But I had no interaction with him at all, so I would know whether he was or was not involved.

. Q Am I correct that you were involved in the Reagan campaign in 1980 after the ~~Colonel North~~ convention?

. A Yes, sir.

. Q What led to your continued involvement after the ~~Colonel North~~ convention?

. A I was asked to continue and wanted to continue.

. Q Who asked you?

. A I don't recall whether it was Mr. Tyson or Mr. Deaver, but I think we all understood we were all going to continue.

. Q Did this same team generally stay together after the ~~Colonel North~~ convention?

. A Well, I think the same players remained involved, but we were split up significantly. Some of us were there on the road all the time, some of us were in Washington all the time, and there were a host of new players added immediately upon our arriving in Washington.

. Q The period of your involvement in the campaign after the ~~Colonel North~~ convention was approximately July of 1980 through the beginning of November of 1980; is that correct?

A Of the campaign, that is correct, through November 4th.

Q How would you describe your responsibilities during this period?

A Well, I believe my title was Deputy Director of Scheduling Advance Operations. Mr. Tyson was Director of the Scheduling Advance Operations. We put together a group of perhaps as many as 70 people in the Washington office, directly involved in reporting through myself and Mr. Tyson and scheduling advance--

MR. FRYMAN: Off the record. Wait until this thing is over.

[Discussion off the record.]

BY MR. FRYMAN:

Q Please continue.

A --operations, and had somewhere between, I would guess, 50 and 130 people in the field who were also reporting into that office.

Q And you continued to report to Mr. Tyson; is that correct?

A That is correct.

Q What did you understand was the line of authority above Mr. Tyson--after the convention ~~Colonel North~~?

A Was never perfectly clear to me, but there were--it was easier for me to identify the people who are higher up the ladder than I was. Mr. Casey clearly was the Campaign Director. Jim Baker was brought on board, and was--very active and influential in terms of campaign decisions made during the general election.

. Bill Timmonds had also joined that senior group of people. Bob Gray, with whom I rarely interfaced, also had come on board, as well as a number of purely political consultants, people like Paul Manafort.

. You know, I can't tell you whether Charlie Black was involved with us then or not? I could recall some names, but there were lots of new faces then.

. Q Let's start with Mr. Casey. You indicated earlier that the first time you recall meeting Mr. Casey was in August or September of 1980, I believe?

. A That is correct.

. Q Is that correct?

. Could you describe your first meeting with Mr. Casey?

. A Well, I can't tell you precisely when we were introduced, for example. I don't have any recollection of it. The only--well, let me backtrack for second, if I may. We had at some point, we began having 7:30 meetings between--among senior people and the campaign, and I was invited to sit in on those meetings. We had them in a conference room in our election headquarters.

. Q Is this 7:30 a.m.?

. A 7:30 a.m., virtually every day. Mr. Casey was in attendance in many, if not all, of those meetings.

. Q How large a group was in attendance at these?

. A Perhaps eight to 12 people.

. Q Can you identify those individuals?

. A Mr. Casey, Mr. Meese, Mr. Deaver and Mr. Nofziger when they were in town. Mr. Timmonds, Mr. Baker, a lady whose name I cannot recall who stayed with us during the campaign and then returned to California. Mr. Tyson. At some point, Ron Walker, who was brought in during the general to assist us in the advance scheduling operations; Bob Gray, I believe, sat in at least some of those meetings, and there were people who I remember being at some of the meetings, but don't know if they were regulars there, people like Rich Williamson and Paul Manafort and Kenny K-l-i-n-g.

. Q I want to come back to--you were answering the question about Mr. Casey. But just continuing on with this, these meetings were held at 7:30 every morning, and approximately what period of time did these meetings occur--during what months or what weeks?

. A During most of the general election period.

. Q That would be July through October?

. A No, I would say it was probably August--started sometime in August, I think, or early September, and lasted through the balance of the general election.

Q Did Mr. Reagan ever attend these meetings?

A I don't recall him ever being at one of these meetings, no, sir.

Q Returning to the subject that we were discussing, specifically Mr. Casey and your meeting with Mr. Casey, if you would continue your answer with respect to that.

A I can recall only one or two times where I had an individual meeting with Mr. Casey that was on a matter of substance. The most vivid in my mind was one that concerned the debates.

I had, by this time, compiled a significant amount of information in terms of briefing books and logistical information about debates, and I was concerned that I didn't see any activity and felt that it was--we should get a head start on preparing Mr. Reagan for the debates, and as such, went to Bill Timmonds and Stu Spencer, who was then assisting as well, and made a pitch to them, and essentially recommended that they use their office to spur some activity in this regard, and advise them that I would be quite interested to the extent that I could.

Very shortly after that meeting, they agreed. Very shortly after that meeting, I got a call from Mr. Casey and went to his office, and he asked me what I had done and what I had--and I told him, and he said, ''Well, bring that all up to my office. I am going to take charge of this.'' and I did.

I had another meeting with Mr. Casey, and I will tell you quite frankly, I had been speculating about the nature of it. We had some confusion about planes or people to be transferred from one place to another, and frankly, he was the person I needed to speak to at that time.

Other than those two occasions, I don't remember having a one-on-one with Mr. Casey.

Q You had frequent contact with him in these 7:30 morning meetings that you described?

A Well, I was sitting--I sat in those meetings. I will tell you that I wasn't a major contributor at those meetings. I was for tha most part auditing those meetings. When matters of scheduling and advance came up, if Mr. Tyson didn't have the answer and I did, I would be called upon, and if Mr. Tyson was not available, a matter along those lines came up, questions or requests were directed to me.

Q Were you on a first-name basis with Mr. Casey?

A No, sir.

Q You called him Mr. Casey?

A Yes, sir.

Q Did he call you Mr. Artiano?

A I doubt that Mr. Casey ever knew my name for more than 10 minutes at a time.

Q Were you involved in preparation for the debates in the 1980 campaign other than what you have described?

A No, no.

Q You did not work directly with Ronald Reagan?

A No, sir, I didn't. My only additional involvement, as I recall now, was urging successfully that a gentleman by the name of Miles Martel, who was a debate expert, be brought in as a consultant, and he was.

Q Your work on the campaign continued until the beginning of November 1980?

A That is correct.

Q What did you do after the campaign or after Ronald Reagan was elected?

A I had--between Election Day and Mr. Reagan moving into the White House and the Inauguration, I had a dual role. I continued to serve in a--much reduced at that point--scheduling and advance operation with Mr. Tyson, did some coordinating with the Inaugural team under Mr. Gray that was putting together the Inaugural ceremonies and also served on the transition team.

Generally, I guess that was the State Department transition team under Mr. Fuller and Mr. Frank Shakespeare. My responsibilities were fairly limited in that regard. I did a transition report on the Overseas Private Investment Corporation, and also attended some of the transition meetings at the Department of State, and AID.

. Q By what organization were you paid during the period between the election and the Inauguration?

. A I don't know. It was--we all were paid by the same--through the same vehicle and I am not sure at what point it stopped being the Reagan for President Campaign and what point it was transition funds.

. We all received the same checks, late.

. Q Were these government checks or were these private checks?

. A You know, I don't recall. I do not recall.

. Q Did you continue to be paid at the same amount?

. A I believe so.

. Q Do you know how you were selected to be involved in the State Department transition team?

. A I don't know how the selection process was worked. I requested some--that I be given some area in the transition team because it was quite interesting to me, and I wanted to participated in it.

. Q Did you request State?

. A I don't know. I honestly don't know.

. Q Had you previously known Dr. Fuller?

. A No, sir.

. Q Had you previously known Ambassador Shakespeare?

. A No, sir.

. Q During the period from the election until the Inauguration, how frequent was your contact with Ronald Reagan, if any?

. A If any, it was minimal.

. Q Do you recall any occasion when you spoke with him during this period?

. A No. I recall occasions being in the same room with him on a number of occasions, but not having a conversation with him.

. Q How frequent was your contact with Mr. Deaver, if any?

. A There was contact, but it was probably relatively infrequent.

. Q Did the--was the contact related to your responsibilities during this period?

. A Yes.

. Q How frequent, if any, was your contact with Mr. Meese?

. A Limited--infrequent.

. Q And the same question with respect to Mr. Nofziger.

. A I think infrequent. I don't remember spending time during that transition period with any of them. I certainly as them, but I don't remember having any discussions with them or--

. Q The transition period covered approximately three months, is that correct--two and a half months?

A Two and a half months.

Q And I think you have described three general areas of responsibility during this period: One, the State Department transition team; two, work in connection with the Inauguration; and, three, continued work with respect to scheduling or advance work.

Is that a fair description of your areas?

A Generally, that is probably pretty accurate.

Q Which of these areas did you devote most of your time to during this period?

A Well, I think the most intense application of efforts was in connection with the transition report. I had never done anything like and it was brand new to me, and I was concerned about doing that--a reasonable job.

Q I take it from your comments that prior to the work on the transition team, you had not had any prior experience in dealing with the Department of State?

A That is correct.

Q Or the Agency for International Development?

A That is correct.

Q You described a report which you prepared concerning overseas private investment?

A Yes, sir.

Q How did you happen to prepare that report on that subject? Was that assigned to you by someone?

. A Yes, it was. It was assigned by Mr. Fuller or Mr. Shakespeare at one of the meetings that we had.

. Q How many people were involved in this transition team?

. A Total number of people on the transition?

. Q Well, let's start with that, yes.

. A I have no idea. I would guess--I have no idea. Hundreds probably.

. Q Was there a smaller group that you dealt with on a periodic basis?

. A Yes, sir.

. Q What was the size of that group?

. A 12 people, perhaps.

. Q And did you have periodic meetings, or what was the nature of your contact with the others in this group of 12?

. A We had several meetings--I don't know, two, three meetings perhaps at the Heritage Foundation. The meetings were either chaired by Mr. Fuller or by Mr. Shakespeare if he here there.

. Q Was Mr. Fuller the person generally in charge of the organization of the transition team as you understood it?

. A Of the State Department transition?

. Q Yes.

. A Yes.

MR. MEEHAN: So, it is clear when you say transition team, in the hundreds he is referring to the overall transition and the team he worked on was the State Department transition.

MR. FRYMAN: Well, let's focus on the group of approximately 12 that you have described who were involved in the State Department transition.

BY MR. FRYMAN:

Q Now, was the larger group of hundreds involved in the transition--does that pertain also to the State Department or is that to the entire Executive Branch?

A That--to the entire Executive Branch, not to the State Department.

Q So that particular State Department group was limited to this group that you met with from time to time--insofar as you know?

A So far as I know, yes, sir.

Q And that was organized by Mr. Fuller.

A Mr. Fuller and Mr. Shakespeare.

Q Who were the other members who you recall that were in this group?

A The only two members I can recall were Elliott Abrams and I believe Henry Nau, N-a-u.

Q What was Mr. Nau's position other than being a member of the transition team?

A I believe Mr. Nau was a professor at the college or graduate level at a university here in Washington, D.C. at the time. I am not certain of that, but I believe that was his position.

Q Other than your work on the report concerning overseas private investment and your attendance at the periodic meetings of the group, what else did you do in connection with this work?

A With the transition--

Q With the transition.

A I attended several meetings at the Department of State. One such meeting was a meeting, I believe, of all the Assistant Secretaries at the Department of State. That is my recollection. I had another--I have another recollection of a smaller meeting that I attended, and I will be perfectly frank with you:

I can't tell you who was at the meeting with me. There was at least one person from the--one Assistant Secretary or two Assistant Secretaries from the State Department and one or two members from our group of 12. I don't recall whether that was Mr. Fuller, Mr. Abrams, Mr. Nau or someone else. I don't know who it was with at the time.

Q Did you work with other people in the preparation of this report, or did you basically write the report by yourself?

A I worked with one other gentleman. His first name was Roy, and his last name I cannot recall, who was a financial consultant to the campaign. I worked under Bay Buchanan. And I asked for his assistance, because in part--obviously part of my reporting on the Overseas Private Investment Corporation involved reviewing their financial statements to make sure that I was accurately interpreting that data.

Q Now, you mentioned that Mr. Abrams was a member of the team. Had you met Mr. Abrams before your work with him on the team?

A I don't think so. I will quality that by saying we may have met once before. I may have been introduced to him by Bill Timmonds. Somehow, I seem to have a recollection of that, but I am not certain that is the case. I can't tell you when that would have happened.

It would have happened probably immediately prior to the transition, and my first recollections of Elliott Abrams are during that transition period.

Q What was Mr. Abrams' position during this period, other than being a member of the transition team?

A I am not certain. I can't tell you what he was doing.

Q Was he living in Washington?

. A Yes, sir--I think he was living in Washington.

. Q How frequent was your contact with Mr. Abrams during this November to January period?

. A Not very frequent. It was infrequent. I saw him when we had the meeting at the Heritage Foundation--didn't see him in the regular course of my transition responsibilities, because he wasn't involved with the Overseas Private Investment Corporation.

. I frankly can't tell you what Elliott's specific responsibilities were during--on behalf of the transition team other than knowing that he was involved in a State Department transition.

. Q What did you do after the Inauguration?

. A Well, at some point after the Inauguration, I accepted a position under Mr. Abrams who had then been named Assistant Secretary for International Organizations as an Acting Deputy Assistant Secretary in that agency under Elliott.

. Q When you say at some point, approximately when was this?

. A You know, I would guess sometime in February, although I can't assure you that that is accurate.

. Q Do you know what led to the Administration offering you this position?

. A I had gotten ~~to~~ know Elliott Abrams during the course of the months preceding that, and at some point, either late in the transition period or post-transition, I had met Elliott's wife--I don't even think their first child was born yet at that point--hard to remember--but I started establishing a friendship with him outside of the political arena--and with Elliott's wife, Rachel.

. Q Is it your understanding that Mr. Abrams made the decision to offer you this position?

. A I believe so. He's--I got the telephone call from Mr. Abrams, and he asked me if I would be interested, and I said I would be, and I went over to chat with him about it. He was already in. I don't know that he was confirmed at that point, but he was already Acting Assistant Secretary.

. Q How long did you continue in this spot?

. A Only for a few months perhaps, three months. I don't remember the exact amount of time. I left to join the law firm, and I believe I--I believe I started with the law firm either at the end of May of 1981 or the beginning of June of 1981.

. Q When you started this job in February, had you intended to stay for such a brief period?

. A I don't think I had--I was kind of up in the air at that point, frankly, about what I wanted to do. I had a strong desire to go back to California at that stage of the game. Frankly, working for the United States Government is not an appealing prospect to me.

Q Why was that?

A I just didn't feel comfortable in a bureaucratic situation, which is why I never went to work for a large law firm, and the State Department was clearly quite bureaucratized.

Q Did you have daily contact with Mr. Abrams during this February to approximately May period when you were working--

A Unless he was traveling, I am sure I did.

Q And in addition to your professional association with him, you indicated you had become personal friends--and with his family.

A That is correct.

Q And you saw them socially as well?

A Yes.

Q Were you married at this point?

A No, I was not.

Q Then, as I understood your answer, when you took this job in February, you took it with the intention of staying for a short period of time?

A I am not sure I could say that in all honesty. I can tell you very honestly that I didn't know whether I wanted to stay in Washington or go back to California, and I had frequent discussions about that with friends of mine and with my father, for example, and with friends in California.

I was kind of town between going back to California and staying in Washington.

Q Did you tell Mr. Abrams when you took the job you weren't sure how long you would be able to remain in that position?

A I don't remember specific conversations, but I am sure I was quite upfront with Mr. Abrams because we were friends.

Q What led you to quit in approximately May of 1986?

A I was unhappy at the Department of State, and I was offered a job at the law firm that was very attractive to me.

Q What was attractive about it?

A I liked the people. It was a new firm. It was headed by Mr. Stan Anderson. Mr. Anderson and I had gotten to know each other and become friends during the campaign. Mr. Anderson was a--I don't know what his title was. He was a consultant to Mr. Timmonds during the campaign, and we had established a nice relationship.

He had worked for a larger law firm and had left with three of his partners and they were starting a new venture and had very exciting plans with the venture. And I was very impressed with the people, and it looked like a terrific opportunity, frankly, and I was delighted with the offer, and I accepted it.

Q And you joined the firm as an associate in May of 1981?

A That is correct.

Q And you became a partner two years later in 1982?

A Two years or less--may have been less than two years.

Q Mr. Artiano, we have talked about a number of individuals that you have known and you have worked with in the campaign and in other capacities. I want to now turn to a few additional individuals that we have not discussed.

First, David Fischer, F-i-s-c-h-e-r. I take it you know David Fischer?

A Yes, sir.

Q When did you first meet David Fischer?

A Either in late 1975 or early 1976 would be my best guess.

Q That was during the period right after your graduation from law school and while you were working as an Executive Assistant to Ronald Reagan; is that correct?

A Yes, sir.

Q What was Mr. Fischer doing then?

A He was doing advance work.

Q For whom?

A For Mr. Reagan, as I was.

Q Had he at that point been working for Ronald Reagan for a period of time?

A No, sir. My best recollection is that Dave came on after I did.

Q Did he report to you?

A No.

Q You were at the same level, would you say?

A We were doing essentially the same things. I think I probably had started a few months before Mr. Fischer; and so, I would guess, did more of that type of work during 1976 than Mr. Fischer did.

Q What was the period of time that you worked with him doing this advance work--approximately six months or four months?

A I am guessing. I will guess four months. Somewhere in that vicinity.

Q And I take it you had frequent contact with him during this period?

A We had--we had contact. I am not sure I would categorize it as frequent, because advance men were being sent to different places all the time, so we would occasionally bump into each other.

I really cemented a friendship with Mr. Fischer during the ~~Colonel North~~ convention and I am trying to remember now where our ~~Colonel North~~ convention was in 1976--Atlanta perhaps, or wherever it was--Nashville. Mr. Fischer and I--all of the advance men were teamed up. We had--there were two of us working together--all the time, and Mr. Fischer and I were working together during that ~~Colonel North~~ convention, and obviously spent day and night together at that point, and got to know each other very well, and established a very close friendship.

. Q Ronald Reagan, as we know, was unsuccessful in that ~~Colonel North~~ convention, and after that ~~Colonel North~~ convention, you returned to San Diego and eventually began work with the law firm in San Diego. What did Mr. Fischer do after the ~~Colonel North~~ convention?

. A Mr. Fischer stayed on as--I believe as an employee of Deaver and Hannaford and served in the role of personal aide and Chief of Advance Operations for Governor Reagan, who was then continuing to make speeches around the country and had a host of activities that Mr. Fischer assisted him with.

. Q Now, you have testified that you became involved in the 1980 campaign with this organizational meeting, which was either in late 1979 or early 1980. Prior to your involvement in the 1980 campaign, did you continue to have contact with Mr. Fischer from 1976 to 1980?

. A I did--you know, my best recollection is I probably didn't see him for a period of about two and a half years. We talked on the phone a few times, and the frequency with which we spoke on the phone increased as 1980 approached, and Mr. Reagan's bid for the Presidency was getting started again.

Q Did his role with respect to Mr. Reagan change as the 1980 campaign began, or did he continue to do basically the same sort of work he had been doing for the preceding several years with Mr. Reagan?

A I think it changed in the sense that he became more purely a personal aide to Mr. Reagan, as opposed to going out to the field in advance of Mr. Reagan. We, at that point, had--we very quickly put together a host of advance men who were doing that.

Mr. Fischer would occasionally--any time he chose, frankly, would go out and investigate a site or an opportunity and use his own judgment and so advise the advance men.

Q When you say he became purely a personal aide, what do you mean by that?

A I mean, he stayed with Mr. Reagan, he traveled with Mr. Reagan and was not detached from Mr. Reagan and his immediate group for any extended periods of time.

The difference is where an advance man is given a site, might have a meeting with Mr. Deaver or Mr. Tyson or me at that stage of the game and be given general parameters for a series of events in Florida, and that advance men armed with that information would then go to the field alone or in conjunction with some other folks, meet with some

Secret Service people and begin putting this series of events together and pick up a phone and call one of us in the office for guidance, and we would ultimately have a typed, printed schedule for that series of events, which that advance man was responsible for.

Mr. Fischer, who was doing both that for Mr. Reagan and serving I guess in a quasi-personal aide function prior to--between 1976 and 1979, by 1979 had evolved into what I would describe as purely a personal aide, and he stayed with Mr. Reagan all the time.

When he was on the ground, when the plane would arrive with a party that traveled with Mr. Reagan, Mr. Fischer would precede Mr. Reagan off the plane. He had almost always been in intimate contact with the advance man on the ground before that time.

He knew pretty much exactly what was going to happen step by step, from a logistical perspective. If there were any changes to be made, if he disliked something, he would instruct the advance men to change or otherwise alter it or cancel it, or whatever needed to be done.

The word came through Dave; occasionally came through Mike Deaver, but for purely logistical things, it came from Dave frequently.

Q Who frequently was your contact with Mr. Fischer during the 1980 campaign?

A Well, I wasn't traveling and Mr. Fischer was. When I say I wasn't traveling, that is in general--statement. I saw Mr. Fischer quite a bit in Detroit. I saw him obviously quite a bit in Los Angeles when--before we got to Detroit.

By the time we got--we left Detroit, I saw him less and less because he was always on the road with Mr. Reagan and I was virtually always, with perhaps two or three exceptions, in problem areas at the office in Washington, and we talked probably every day on the phone.

Those conversations were a function of both our responsibilities, my responsibility being one of the things he was interested in in terms of his performance and the fact that we were close friends and would chat during the day or at the end of each evening.

Q So, to summarize, you consider that you had established a close friendship in 1976, you had intermittent contact with him during the next three years, and then you begin to work together very closely during the campaign and had almost daily contact at least by telephone.

A It seems to me that we had--probably had daily contact. Otherwise, as you probably know in a situation like that, you spend 12 hours a day on the telephone, so I couldn't tell you that was exactly true, but sometimes to me it was virtually on a daily basis.

Q Mr. Fischer, following the campaign and Mr. Reagan's election in 1980 continued to serve as his personal aide; is that correct?

. A That is correct.

. Q What was his title after the Inauguration?

. A I couldn't tell you precisely. I would guess it was Special Assistant to the President--would be my best guess.

. Q And what did you understand his responsibilities were in the White House? Was it basically the same sort of thing or did his responsibilities change?

. A You know, it is difficult for me to say, because I wasn't in the White House during this period of time. I think that, clearly, he continued to stay with the President through every day and indeed every weekend, he would travel to Camp David, for example, and if the President took a trip out of the country, Dave obviously accompanied him on this trips.

. Dave had a very small office immediately off the Oval Office in the White House, and I think to the extent--I guess he generally did have the same type of role. He made sure that things worked in a timely and orderly fashion, there were no surprises, and when Mr. Reagan was moving, literally moving, going somewhere or worrying about a calendar or timetable, Dave is the person he looked to, not advance man or men who happened to be on the assignment.

. Dave was always his target, so Dave would work with whomever. He made sure that calendar flowed in an orderly fashion.

Q What was the frequency of your contact with Mr. Fischer after the Inauguration?

A You know, we were very close friends. I would guess that during the first six months after the Inauguration, both Mr. Fischer and I were so busy and were then working in different places, that we probably didn't see each other a whole lot during that time period.

I would go over to the White House and visit, we would have lunch somewhere, we would get together for dinner if time permitted. His schedule was virtually impossible and didn't lend itself to a great social life. As time went on, however, and I settled in with the law firm and he settled in in his job, we talked on the phone regularly, you know, several times a week, tried to get together at least a couple of time a month to have lunch or have dinner or just take a walk.

He would have two hours when the President would be tied up in a meeting and he would call me and see if I can break free and we would get together and see a movie.

RPTS CANTOR

DCMN GLASSMAP

[11:45 a.m.]

Q Did you consider him one of your closest friends?

A Yes.

Q At what point did he resign from his position in the White House?

A I don't know the exact date. I think it is 1985, early 1985. I am not sure, or late '84.

Q And he moved to Utah?

A Yes, sir.

Q So the nature of the contact that you have been describing of talking to him several times during the week and seeing him as time permitted, that contact, that type of contact, I gather continued from approximately mid 1981, when matters settled down in your respective jobs, until he left his position in the White House in early 1985?

A That is correct.

Q What was the nature of your contact with him during the period that he lived in Utah? Did you have direct phone contact with him?

A Yes.

Q I take it you didn't see him as frequently, because he was in Utah and you were here?

. A No, I didn't. He got back here a couple of times on business for the company he was working for in Utah, and obviously when he was back, we managed to get a lunch or a dinner or a movie, or something, and got a chance to talk. We talked on the phone fairly regularly, and I, in fact, have a client in Utah, and I think at least once during the year in Utah managed to get out and see a client, so I saw Dave, spent a couple of nights at his house.

. Q Was it his practice to stay at your house when he was in Washington?

. A Not at that point.

. Q Not while he was working in Utah?

. A No, while he was working in Utah, he would fly back here on business for the company, and I believe he stayed at the Marriott typically.

. [Discussion off the record.]

. BY MR. FRYMAN:

. Q Mr. Artiano, do you know Richard Miller?

. A Yes, I do.

. Q What do you understand to be the present position or occupation of Mr. Miller?

. A President of International Business Communications, which is a public relations firm.

. Q When did you first meet Mr. Miller?

. A In 1980.

Q In what way?

A He was not sure if he was working for our campaign here in Washington or was a volunteer for the campaign, but he was here, and we met while he was lending his services to the campaign for Mr. Reagan.

Q Did he work for you?

A No.

Q Approximately at what point in the campaign did you meet him? I take it this was after the convention.

A Yes it was after the convention. I am not exactly sure when I first met Mr. Miller. My earliest memories of having the types of conversations you would relate to having with friends probably occurred during the transition.

Q What was his role during the transition?

A I am not exactly sure. I know one of his roles was he was responsible for transportation for I guess everyone in the transition. We had a large motor pool, and I believe that Mr. Miller was running the motor pool at that point. I think he may have had other responsibilities, but I can't tell you what they were.

Q Prior to the transition, had your contacts with him been infrequent? Would you characterize them as infrequent?

A Yes. I can't frankly remember exactly when I met him. It couldn't have been more than a month or two before the transition at best.

Q And prior to the election you say you met him, so would you describe him as an acquaintance as opposed to a personal friend?

A A very difficult line to draw. Our friendship grew as we got to know each other during the transition.

Q How frequent was your contact with him during the transition?

A Fairly frequent.

Q Daily?

A I don't know. I don't know if it was that frequent. I had cause to need transportation for myself or for someone else that I was arranging transportation for, and Mr. Miller was the guy I dealt with.

Q Was this contact both in your professional work and socially during this period?

A You know, I don't know whether Rich and I socialized a great deal during the transition period. It was a pretty hectic period.

Q Throughout the transition period, you understood he was responsible for transportation.

A Yes.

Q What did he do after the transition period?

A I believe he first served in the Public Affairs or Public Relations Office of the Department of Transportation when Drew Lewis was the Secretary of Transportation.

Q How long did this last?

A I couldn't tell you. I would guess at least a year.

Q Did you have contact with him during that period?

A Yes, I think we had contact.

Q Social?

A I don't remember when we started having a lot of social contact. It is quite possible during that period of time that I had some social contact with him, but I don't frankly recall.

Q During that period, do you recall having professional contact with him?

A I seem to remember seeing him a couple of times at the Department of Transportation, but I can't tell you in connection with that or whether I just was there for another reason and went in and said hi to Rich.

Q What do you recall that he did after the Department of Transportation?

A To the best of my recollection, I believe he went directly from the Department of Transportation to the Agency for International Development and served as either a Director or Deputy Director of Public Affairs.

Q What is your recollection about the length of time he served in that position?

A I am guessing. I would guess a year to two years.

Q Did you have contact with him when he was in that position?

A Yes.

Q Both professional and social?

A I don't know that I had any professional contact with him either at the Department of Transportation or AID, but I am sure at that point we had already started having social contact.

Q At least by this point you considered him a personal friend of yours?

A Yes.

Q And what is your understanding about what he did after he left AID?

A I again believe that he entered into a partnership with Mr. Frank Gomez, and they opened up International Business Communications, which is a public relations firm.

Q Do you know Mr. Gomez?

A I know Mr. Gomez, yes.

Q When did you first meet him?

A Rich introduced me to Mr. Gomez. I would guess it was--I can't tell you--'84.

Q Was that after Mr. Miller joined with Mr. Gomez to start their company or before?

A After.

Q After?

A Yes, sir.

Q What has been the frequency of your contact with Mr. Gomez since your first meeting with him?

A Not too frequent. During the period from late November, 1985 until perhaps March or April of '86, I saw Mr. Gomez once or twice a week perhaps at a maximum.

Q That is in connection with your work for IBC?

A That is correct.

Q We will get into that later. Apart from that association, what contact have you had with Mr. Gomez?

A None.

Q Would you characterize Mr. Miller as a close friend?

A Yes.

Q And am I correct that you have considered him a close friend since at least 1982 or 1983?

A He has been a good friend, yes, probably since about that time.

Q Do you recall Oliver North?

A I was introduced once to Mr. North. We shook hands, and that is my sole contact with Mr. North.

Q You have never spoken with him on the phone?

A No, sir.

Q Do you know John Roberts?

A No, sir.

Q Do you know Jonathan Miller?

A No. I would like to just state for the record that it is possible I was introduced to these people at some point and shook hands, but I don't know them.

Q You have no recollection of any meeting with Jonathan Miller?

A I don't. Honestly I have not.

Q I take it then you did not consider Jonathan Miller to be a friend of yours?

A That is correct.

Q Mr. Artiano, you entered into a business relationship with Mr. Miller's company, International Business Communications, did you not?

A Yes, sir.

Q And did that business relationship also involved Mr. Fischer?

A Yes, sir.

Q Would you describe the origin of that business relationship and how it came about?

A In late November or early December of 1985, I received a telephone call from Mr. Miller where Mr. Miller told me that in order to increase the services he was rendering to existing clients, to attract additional business to IBC, and to generally improve the services he was holding out to existing and prospective clients, that he was looking for someone who had some Washington experience at a relatively senior level, who was of good reputation, had good common sense and judgment, and might entertain the prospect of entering into a relationship with his firm.

Q What did you do in response to this call?

A At some point shortly after I received that phone call, I talked to Mr. Dave Fischer about his interest, if any, in my pursuing this conversation with Mr. Miller on his behalf.

Q What was Mr. Fischer doing at this point?

A Mr. Fischer had been for the preceding 10 months, I would guess, been working as Vice President for Administrative Affairs I believe for Huntsman Chemical Corporation in Salt Lake City, Utah and had been expressing to me over the preceding three months his general dissatisfaction with that job and his desire to return to Washington and do consulting work for clients in Washington.

Q Had he explained to you the basis for his dissatisfaction?

A I think it was, to the best of my recollection, merely a case of the job not involving the types of things he anticipated it would, and it just wasn't very rewarding or challenging to him, I guess. He was not particularly happy with it.

Q Did he indicate dissatisfaction with the compensation?

A No.

Q Do you know if at the time of your call from Richard Miller whether he had at that point ever met Mr. Fischer?

A I don't think so. I don't know that for a fact. They may have at some point or another been introduced, but they didn't know each other.

Q So the origin is Mr. Miller calls you and says he is looking for someone. You over the preceding few months had been hearing from Mr. Fischer that he might be ready to come back to Washington and try something different, and then you spoke to Mr. Fischer and explained the approach to Mr. Miller, is that correct?

A That is correct.

Q And did Mr. Fischer ask you to express an interest on his behalf with Mr. Miller?

A Mr. Fischer's response, to the best of my recollection, his initial response to that information, was a request that I further investigate it by way of having more extensive discussion with Mr. Miller about what he wanted, what he was looking for, and who his clients were.

He made it clear to me during the initial conversation that while he was interested in returning to Washington and acting as a consultant, he didn't want to align himself exclusively with anyone, so that even if this were something that would be of interest to him, it would be a nonexclusive arrangement. He wanted to do some checking himself into Mr. Miller and IBC generally with people in the administration, I guess, to see what kind of response he would get.

. Q In your initial discussion with Mr. Fischer, was there any consideration of your involvement in a relationship between Mr. Fischer and Mr. Miller?

. A That happened very quickly. I don't know whether that topic was discussed during the first conversation I had with Mr. Fischer, the second conversation, but over the course of probably the first week, if not the first couple of conversations we had, that was something that was raised and discussed, yes.

. Q Was that raised by Mr. Fischer?

. A I think so, although I honestly couldn't tell you.

. Q What did you understand that you were to add to the relationship that was being contemplated possibly between Mr. Miller and Mr. Fischer?

. A I think you have to put that question in a timeframe for me, if you would.

. Q Let's talk about the beginning, when you were having these initial discussions and it was raised either by you or Mr. Fischer in your conversation with him that you would have some involvement in this.

A One of the very early conversations I had with Mr. Miller, I don't know if it was the first conversation or the second conversation, in response to I am sure a question by me in connection with what types of services he was looking for on the part of a consultant, I am sure at this point I had raised Mr. Fischer's name.

He gave, to the best of my recollection, both a general and a specific response. Mr. Miller's general response was that he was looking at a number of projects for existing clients that hadn't yet taken shape, that he was about to embark on a major business development aspect of his business, that he was looking for someone who could help him in his evaluation of projects I have just mentioned, help him to formulate a strategy in connection with business development, help him service his clients across the board in the form of advice and judgment from a public relations perspective, public relations in Washington.

The more specific request was he indicated one of his most significant clients was a gentleman by the name of Mr. Channell who had several organizations that were raising money for programs that supported the President's position in different areas, and that in connection with one, I don't know frankly at that point if he even named the National Endowment for the Preservation of Liberty, that that particular client had asked for meetings with Don Regan, who was then Chief of Staff, with Senator Paul Laxalt, and with Assistant Secretary Elliott Abrams.

He advised me early on that this client was a client that had had regular contact with the administration for quite a while and was highly regarded by the administration. I recall that because it was the first specific request where he identified a service that was made in the course of these early conversations.

Q And specifically, the service was what again? Was this to arrange the meetings?

A No. Let me backtrack a second. He explained generally what type of services he was looking for from a consultant on behalf of IBC, and again I am trying to reconstruct, doing the best that I can. I suppose, in response to a question such as, well, is there anything you have on the burner right now that needs attention, his response was, ''Yes. For example, this guy, Mr. Channell, is one of my principal clients, and he just recently called in over the past few days I guess and asked for me to line up meetings with the following three people'', and that was the first specific thing that was ever discussed with Mr. Miller and I in connection with services.

Q Going back, Mr. Artiano, the initial call from Mr. Miller where he explained to you he was looking for someone, am I correct that you did not mention Mr. Fischer's name in that conversation?

A I don't think I did. I think I opted at that point to chat with Mr. Fischer before I even raised his name.

Q And then after chatting with Mr. Fischer, you had further conversations with Mr. Miller where Mr. Fischer's name was mentioned?

A That is correct.

Q At what point was it discussed that you would be involved in this arrangement as well as Mr. Fischer?

A Very early on.

Q In the early phone conversations?

A Yes. I am sure the early phone conversations.

Q And who suggested that?

A I don't know. I honestly don't remember.

Q The services that were being sought by Mr. Miller, would you describe them as generally public relations consulting services?

A Public relations, business development, political type consulting in terms of evaluating a project or a media campaign.

Q How soon was there a face-to-face meeting between you, Mr. Fischer and Mr. Miller?

A Again, I can't tell you a specific date. I would guess it was within two weeks of the first telephone call.

. Q After that meeting at some point, the three of you reach an understanding about a working relationship and compensation arrangement, is that correct?

. A That is correct.

. Q Did it take several meetings to reach agreement on those matters?

. A Yes.

. Q Approximately how many meetings and over what period of time?

. A I can't be specific because I just don't have the recollection. I would guess that we had three or four meetings at least. They probably went over a couple of weeks, three weeks. I am guessing.

. Q Prior to the first meeting, had there been any discussion among the three of you about the terms of a relationship, or were there phone conversations just looking toward setting up a meeting for a more specific discussion of terms?

. A I had had conversations, I had discussed compensation with Dave over the phone, and I had passed along what Dave and I had discussed to Mr. Miller, I believe, prior to our first face-to-face with Mr. Miller.

. Q What was the compensation which was discussed with Dave?

. A There are several aspects to those conversations.

I don't think anything was said in concrete that early in the first week or two, but generally Mr. Fischer advised me that, A, it needed to be made perfectly clear to Mr. Miller that there was going to be no exclusive agreement for services, that he intended to develop a host of clients here that he would like to consult with; B, that he felt he could lend a great deal of value to a host of clients, including IBC, and that he expected to be compensated accordingly.

When we talked about numbers, we talked about a retainer of $20,000 a month for the consulting services to be rendered, and Mr. Fischer told me that one of the things he absolutely did not want to do was get involved in the representation of a client which was going to be 30-day, 60-day, 90-day projects. He didn't want to do that. He wanted a long-term relationship, and he asked me to explore with Mr. Miller early on whether Mr. Miller would be prepared to enter into a long-term, 24 months say, two-year agreement for services.

He further advised me that, Mr. Fischer advised me, that prior to accepting a consulting agreement either with IBC or anyone else, he would have to be real comfortable with them as a client, and from Mr. Fischer's perspective that meant reviewing them to the extent that he could with his friends in the administration and whoever else he opted to check them out with, to make sure that they were people he wanted to be associated with.

Q Were the terms that Mr. Fischer initially described to you, that you have described, were these basically the terms that were eventually agreed upon, that is a retainer of $20,000 a month for a period of 24 months?

A Generally, yes. I would say that was essentially the relationship that was established. The other factor, as I mentioned also, which were components of that agreement, which were that Mr. Fischer was not an exclusive consultant to IBC and could go about developing his own business and that he would not be a full-time consultant with IBC. It was the beginning of a new relationship.

Q But am I correct that at the end of this period of negotiation, Mr. Miller basically agreed to the terms that Mr. Fischer had laid out for you at the beginning, that is $20,000 a month as a retainer for 24 months, and that was to be a nonexclusive arrangement?

A That is correct.

Q What was the subject that was covered in these three or four meetings where you had negotiations? Had Mr. Miller been resisting this arrangement?

A No. I think we were discussing a host of things, as I recollect them. For example, while Mr. Miller had no problem with Mr. Fischer representing other clients, he was not comfortable with the prospects of Mr. Fischer representing another public relations firm. That was of some concern to him. He wanted to know if Mr. Fischer's other intended representations called for him to be out of the country for long periods of time, for example, a question which obviously Mr. Fischer didn't have an answer to.

. Wanted to know if Mr. Fischer--Fischer still lived in Utah at the time and did for another 14 months thereafter--whether Mr. Fischer would still be available, and if so, how many days a week, to come in to Washington, D.C. to render these services. I can't recall all of the things that were discussed, but we also spent a great deal of time allowing Mr. Miller to describe what his company did and getting to know Mr. Gomez a little bit, getting to see some of the presentations he had made to clients, finding out what he had done, what he intended to do, who he was interested in securing as a client, further defining the types of services he was looking for.

. Q Did these negotiations lead to a written agreement between Mr. Fischer, Mr. Miller and yourself?

. A No, sir.

. Q In these negotiations, were you acting as a principal on your own behalf rather than as attorney for Mr. Fischer?

. A That is correct. I was not at any time acting as an attorney for Mr. Fischer or anyone else in this matter.

Q And this agreed-upon retainer for 24 months in the amount of $20,000 a month contemplated services by you as well as Mr. Fischer, is that correct?

A Initially, that is correct.

[Recess.]

RPTS CANTOR

DCMN GLASSNAP

[1:25 p.m.]

Whereupon,

MARTIN ARTIANO,

resumed the witness stand, and having been previously sworn, was examined and testified further as follows:

BY MR. FRYMAN:

Q Mr. Artiano, when we broke for lunch, we were discussing the consulting agreement that you, Mr. Fischer and Mr. Richard Miller had reached in late 1985, and one aspect of that agreement is that there was to be a monthly retainer of $20,000 a month. At the time that agreement was reached, was there an understanding between you and Mr. Fischer that you would receive half of the monthly retainer of $20,000?

A Yes.

Q What was the origin of that agreement or rationale for that agreement?

A It was contemplated that Dave and I would jointly be in a position to render the types of consulting services to IBC that they had articulated to us.

Q Did Mr. Fischer at some point tell you that because of your assistance in getting up this arrangement, he wanted you to have half the money?

A As I just indicated, we both intended to provide consulting services to IBC. I don't know what effect the fact that I had introduced Mr. Fischer to Mr. Miller in this connection, how great a part that played in Mr. Fischer's mind in terms of agreeing to split the fees.

Q What did Mr. Fischer say to you about this? I mean, the original proposal, I take it, that he made in the first conversation that you had with him about this is that he wanted a retainer of $20,000 a month for himself, is that correct?

A We discussed the $20,000-a-month retainer. I don't know whether it was the second conversation or the third conversation when we discussed sharing our retainer.

Q Did he raise the subject of sharing the retainer, or did you?

A I don't recall.

Q Was it made known to Mr. Miller from the beginning of your meetings with Mr. Miller that the monthly retainer would be split between the two of you?

A I believe that was made clear to him fairly early on.

Q By fairly early on, does that mean before you reached an agreement about the consulting arrangement?

A I guess that is probably right.

Q But you are not sure?

A I am not positive whether we discussed it before the first check was cut or at the time the first check was cut.

Q Is that the latest time that you discussed it was when the first check was cut?

A Yes. I am reconstructing now.

MR. MEEHAN: The latest time you first discussed you mean?

BY MR. FRYMAN:

Q Yes.

A Yes, it had been discussed by the time the first check was cut.

Q As we discussed this morning, this consulting agreement was basically for public relations services, is that correct?

A I guess I will fall back on the description I gave it this morning. I think that is probably generally accurate. There were a range of services that Mr. Miller discussed with Mr. Fischer and I that he was going to look to us for, and that the entirety of those services constituted what we were going to do on behalf of IBC.

Q There were a number of specifics that I understand came under the general category of public relations services. If there are other types of services that do not fit under that general category, I think you should identify those now.

A I think, unless something comes to mind with a more specific question, what I described earlier today in terms of the services Mr. Miller was looking for were the types of services we rendered.

Q Once again, public relations is a particular area, and I think you have identified other specific categories of public relations services, but is there anything that falls outside the general description of public relations services that you were to perform?

MR. MEEHAN: My problem with the question is that he has defined the services. If you want to say that is what public relations means, some of it was client development, some of it was specific services, some of it was generalized advice and programs. Whether client development is public relations or whether it is professional development, business development, I guess it depends upon how you define public relations. And I think that his answers describe the services.

And if you want to say let's call them, for purposes of future purposes, public relations, we are prepared to deal with it that way.

BY MR. FRYMAN:

Q Just so there is no confusion, Mr. Artiano, I don't want to take a lot of time on this, but specify again as briefly as possible the areas of services you contemplated were to be performed under this agreement.

. A To review strategies and advise IBC in connection with the existing clients, projects that were underway in behalf of those existing clients, contemplated projects by those existing clients, presentation for representation to prospective clients, target clients of IBC, the compilation of a brochure that IBC could distribute for purposes of business development, and I guess the type of general advice that Mr. Fischer and I were in position to render.

. Q And what areas were you to render general advice?

. A I guess in connection with all of the things I mentioned, and I think, as is probably the case in all new relationships, things that we couldn't contemplate at the time and we didn't, not that I have anything specific in mind.

. Q Mr. Fischer had a background in public relations going back to his work for the Deaver firm, did he not?

. A That is correct.

. Q And he had been working in the public relations area with Huntsman Chemical in Utah?

. A I probably shouldn't answer that question, because I am not exactly sure what the scope of his responsibilities were.

. Q You are not certain what he did?

. A Yes.

. Q Your background is that of a lawyer, and you have, as you described this morning, done extensive work in the logistics area in political campaigns.

. A That is correct.

. Q What expertise did you bring to this arrangement that was being entered into that you understood met the needs that Mr. Miller wanted met by this agreement?

. A I think the amount of time and the level of my prior experience with Presidential campaigns was something he wanted to take advantage of, my experience in business development, areas of business development, my ability to evaluate prospective business opportunities that might arise that IBC might be able to take advantage of, my assistance in the presentation, or at least the compilation of materials for presentation to prospective clients; my experience in Washington vis-a-vis representing clients in terms of strategies for a public relations firm to the extent that those were translatable. Those are among the services that Mr. Miller thought he could take advantage of.

. Q Your prior experience in Presidential campaigns was basically in logistics, as I understand what you testified to this morning.

. A That is correct.

Q How would that experience usefully translate to the services you were to perform for IBC?

A Well, perhaps I should elaborate a bit on what that kind of logistical experience is. Essentially when you prepare an event for a Presidential candidate, you are a quasi-public relations man. You attempt to present the candidate in the most positive light, both in terms of what you personally do prior to his arrival and during his stay, and in terms of your decisions about how and where he is going to be making public appearances.

I was, if not a principal player, certainly a part of the group that made decisions throughout both of those campaigns, made decisions about all aspects of the campaign even if my role were primarily that of an auditor in those meetings, and as such I had accumulated and believe I still have a great deal of experience that lends itself directly to public relations.

In addition, I think my experience with the law firm in representation of clients here and my time in Washington essentially was appropriately thought by him to be something that he could take advantage of.

Q Did you understand that the contacts and people you knew were important?

A At the outset of this relationship, the only meetings, for example, with people that I mentioned were the three I mentioned earlier. I am not exactly sure how you can separate, when you are looking at someone's experience, how you can separate and parse out that particular aspect. I think Rich knew certainly that I had been involved with the Reagan Administration in a couple of different capacities for a long time, that I had a number of relationships that were solid relationships, and I frankly don't know to what extent that impacted his evaluation of what I could lend to IBC.

. Q You and Mr. Fischer ended up splitting the retainer 50/50. You took $10,000, and he took $10,000 of the $20,000 monthly retainer, is that correct? I mean that was the agreement you reached between the two of you.

. A That was the agreement, that is correct.

. Q Going back to your discussions with him about reaching this agreement, was that 50/50 split agreed to because you contemplated contributing equal amounts of time to this arrangement?

. A I think initially that is true.

. Q That was the rationale?

. A Yes.

. Q Was it contemplated at the beginning that you and Mr. Fischer would devote a substantial amount of your time under this arrangement to work for Mr. Channell's organizations?

. A I think it became clear by the latest early January that at the outset, there were some pressing things that needed to be done on behalf of that client of IBC, and that was what the principal focus was at the onset.

. Q You and Mr. Fischer were paid, however, by IBC, is that correct?

. A That is correct, our arrangement was with IBC.

. Q You were not paid by Mr. Channell directly?

. A No, sir.

. Q Did you later enter into a supplemental arrangement with Mr. Miller and IBC?

. A Yes.

. Q What was the origin of that?

. A I think there are two components to the answer. Let me see if I can do it as clear as possible. Over the first two months of the relationship, January-February, if that long, frankly I think it was even shorter, three weeks to a month into this relationship, it became quite clear to everybody concerned, Mr. Miller, Mr. Fischer and myself, that the amount of time that was being asked for and the devotion of time to this endeavor was so much greater than had been initially contemplated by anyone at the outset, that we all understood that there was going to be an adjustment in compensation.

. I can't tell you at what precise point we had that specific discussion, but I can tell you that it was quite clear to all of us at the time and that we had some discussion about it, that the services being rendered in terms of time and to call upon both Dave and myself to be in attendance at meetings and review data that was being produced, and advice on campaign strategies and make arrangements on behalf of Mr. Miller's clients, in particular Mr. Channell, was far in excess of what we had originally anticipated and that, therefore, there would be an adjustment upward in the original negotiated price.

To move to a second of what I guess would be three points, both Mr. Fischer and I expressed to Mr. Miller the desire to accelerate the already negotiated payments, because we felt we were getting way ahead of the curve, in light of the amount of time we were spending, and to some extent in light of the fact that Mr. Fischer found himself almost unable to go out and develop other clients. He did a little of that.

As a third point, down the road, if you would like me to jump there chronologically, at some point I guess in the spring or early summer, I can't pinpoint the exact time, it became clear that Mr. Fischer was indeed spending, as both of us had been spending, an inordinate amount of time on this, virtually all his time in Washington, D.C. when he returned from Utah, and that he was developing a very nice relationship with Mr. Miller, and that he foresaw the growth of that company and was thinking about getting more involved, and at that stage Mr. Fischer and I had a conversation.

Mr. Fischer made clear that he was talking to Rich or would be talking to Rich, and perhaps might even be talking to Mr. Channell, which continued to consume a good deal of time, about a different financial relationship, and that he would work that out.

I was at that point, by the early summer, at any rate, less of a hands-on person in terms of attending meetings during the day, for example, continued to advise both Dave personally throughout the year and IBC from time to time.

Dave indicated that he would attempt to compensate me at or near the amount that had initially been contemplated in the first discussion, which was a two-year contract for $20,000, and an amount that would have been about 50 percent of that.

The agreement was never concrete, was in a state of flux almost from the word ''go''. I don't know much about the financial agreements after late spring-early summer between Mr. Fischer, Mr. Miller, Mr. Channell, and Mr. Fischer and Mr. Channell, and it started out and continued, as far as I was concerned, as a good-faith arrangement. I was friends with both Mr. Miller and Mr. Fischer, allowed it to develop.

Q Focusing on your own arrangements, did you enter into a supplemental arrangement with Mr. Miller where you had an additional monthly retainer?

A Yes.

Q When was that?

A I would guess it was in June or July.

Q Of 1986?

A Of 1986, yes, sir.

Q And what was the reason for that?

A As I indicated a few moments ago, I had become less active hands on, and Mr. Fischer had commenced certainly by that time his own discussions about payments and relationships with both Mr. Miller and Mr. Channell, and I think that Rich Miller, because he is a good friend of mine, felt kind of concerned about me. I think he was worried that this change in direction, that Dave's increased devotion to this firm might have caused some degree of a problem between Dave and I personally, and he also wanted me to stay available to IBC, and as a consequence called me and said that he wanted to enter--that is Mr. Miller--he wanted to enter into a separate agreement with me, through which I would remain available to IBC for some of the things I had discussed earlier, for evaluation of business opportunities that they had and for business development and to continue to review the materials they sent out to prospective clients, and asked me to write a letter to him.

I, again, during the course of those discussions told Mr. Miller that I would be happy to do that, but that I was constrained, as I had been from the start, in terms of what I could do, and it was important that he understand that. That amount of time that had been devoted early on was more than I could possibly devote in the future to this, that I certainly couldn't do any legal work as I had from the start, that if these clients he was hoping to develop conflicted with any of the clients that my law firm represented, I would not be in a position to do it.

I don't have a copy of that letter. I believe Mr. Miller still has a copy of it, and if under those circumstances that was a relationship he wanted, that I was delighted and happy to go forward with it, wrote him that letter, and he agreed to it, and that relationship stayed in effect I believe for about a period of five or six months, I am not exactly sure.

Q So this letter was in effect a retainer agreement that you drafted and sent to Mr. Miller?

A It was a consulting agreement. It was a letter back to Mr. Miller. I wrote it a long time ago, but it said essentially ''Rich, you asked me if I would remain available to consult with IBC on the following matters'' or I described something in general terms. ''I advised you of the following constraints'', which I just expressed. I don't remember them all. ''If under these circumstances IBC is still interested in having me available as a public relations consultant, I would be happy to go forward.''

. Q And did the letter specify $5,000 a month?

. A I don't know. That was certainly what we had discussed. I don't know whether it was in the letter.

. Q You don't know whether it was in the letter.

. A I don't have a copy of the letter.

. Q Why didn't you keep a copy?

. A I thought I had, frankly, and looked for it and couldn't find it.

. Q What makes you think that Mr. Miller still has a copy?

. A I am not certain that he does.

. Q Have you spoken with him about it?

. A I don't think I have ever asked. I have certainly spoken to Mr. Miller, but I don't know whether I asked him whether he had a copy of that letter or not.

. Q You indicated a minute ago that you thought that he still had a copy, and I was just wondering what your basis for that belief was.

. A I am not sure. He may not have a copy.

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Q So you don't know one way or the other?

A I am not sure if he does.

Q Was there any time period specified in this letter?

A I don't remember.

Q And pursuant to this agreement that you reached with Mr. Miller, you received a number of payments of $5,000 a month, in addition to the amounts that you were sharing with Mr. Fischer?

A That is correct.

Q A little later we will get into some specific checks from IBC, but let me ask you, what is your recollection, based on your review of your records, of the total amount of money you received from IBC pursuant to both the original agreement with Mr. Fischer, as well as the supplemental?

A I don't know specifically, exactly, but I think it was in the vicinity of about $200,000.

Q Did you on some occasions receive funds from IBC and then you paid a portion of the funds to Mr. Fischer?

A Yes.

Q The $200,000 that you mentioned, is that after the deduction of the amount that you paid to Mr. Fischer?

A Yes.

Q So you believe you retained something in the area of $200,000?

UNCLASSIFIED

A That is correct.

Q And those services were performed beginning in December of 1985?

A That is correct.

Q And they continued through the end of 1986?

A That is correct.

Q Did you perform any services in 1987?

A I don't think so. I don't have any specific recollection. I might have gotten together with Rich on a matter in January. If I did, I don't remember it, but that certainly would have been the last time.

Q So basically the period of time is 12 to 13 months.

A That is correct.

Q And you were paid $200,000?

A That is correct.

MR. MEEHAN: Approximately $200,000.

THE WITNESS: That is correct.

BY MR. FRYMAN:

Q Approximately $200,00, yes.

Rather than looking forward, as we have been doing, talking about the negotiation of the contract and what was contemplated that you would do, at this point I would like to look backward and get your description of the services that you actually performed for these funds in this 12 to 13 months. What did you do?

. A We spent, and most of this is in the context, the initial part of my explanation will be in the context of what was done in meetings which were attended for the most part by Mr. Miller, Mr. Fischer and Mr. Gomez, and on occasion by Mr. Channell and Mr. Conrad.

. Q In your answer, Mr. Artiano, you are certainly free to bring in contributions of other persons, but I want to focus on what you as an individual did for the compensation in the area of $200,000, so if you could keep that in mind in your answer.

. A I advised IBC on an overall strategy for growth of that company. We had lengthy continuing conversations about the types of clientele IBC should be serving, about the resources IBC would have to marshal in terms of personnel and expertise to properly serve those clients, that we work together on the preparation of materials for presentation to prospective clients and on an evaluation of the needs of those prospective clients and how IBC could best offer up its services to those clients.

. We worked, from my perspective, we had again continuing lengthy meetings and conversations in connection with a number of projects that Mr. Channell either had ongoing or was contemplating, the first of which was National Endowment for the Preservation of Liberty. Others included the Space Defense Initiative, Constitutional minutes, a film that he was attempting to raise money to produce and get clearance to produce about CIA activities, an end of the century foundation, which was going to raise money and gather a host of people to go to Rome in the year 2000, an endowment which he hoped would raise approximately $20 million, the purpose of which was to fund activities by President Reagan after his second term, in terms of speaking and maintaining communication and being a voice for the Republican Party.

In many of those instances we prepared Mr. Miller's firm with guidance and advice from me, for this conversation, prepared lots of brochures and just general paper on all of these projects, in addition to reviewing them, in some instances ad nauseum, in meetings.

We prepared, and this was quite an extensive project, a brochure for IBC, which I unfortunately don't have a copy of it with me, but it was a fairly extensive brochure, and I think fairly well done. A gentleman was called in at my recommendation to do some of the drafting. We all discussed again at length what should be included in that brochure and how it should be prepared, to whom it should go.

We talked about, in connection with the projects I discussed above, media campaigns, did cost breakdowns of those, talked about the political strategy that would best apply in each instance. I virtually on a nightly basis, when Mr. Fischer was in Washington, he stayed at my home three to four nights a week for the course of the year, and evenings I would estimate we spent an average of three hours a night, just the two of us, going over all of these matters that I have just described. I don't think that is comprehensive, but that gives you a sense of the types of things we were working on.

. Q During 1986, you were a member of your law firm.

. A That is correct.

. Q And you had been a member of that firm in 1985?

. A That is correct.

. Q Were your billable hours to your law firm substantially less in 1986 than in 1985?

. A I don't believe so.

. Q So this work for IBC did not cut into the time that you devoted to your law practice?

. A No, sir.

. Q Did you keep any records of the time that you spent for IBC?

. A I don't believe that I did. I think my calendar, as I know I sent over a redacted calendar--there were just a handful of entries in that calendar. Typically during the day, for example, when Mr. Miller and Dave and I met, Dave and I would drive down from my house, for example, early in the morning and have a breakfast, have a couple of hours in the morning. That wouldn't appear on my calendar.

We might have lunch, which we did, until about the summer, on a regular basis, get together for lunch. I would find a slot in my day, if there was a reason for us to get together during the day, when I would just have an hour or hour-and-a-half, and Rich's office is fairly close to mine. I would go over to the office and join them in a meeting, and did to a large extent a lot of this work in the evenings at home with Dave.

Q So you were able to fit this work in without cutting into your law firm hours.

A I think that is true. I was feeling a little pressured for the first few months, because the load was much more than I had anticipated it would be, but I don't think I was feeling quite as pressured after the first four or five months of 1986.

Q You mentioned you spent a substantial amount of time on the IBC work in the evenings with Mr. Fischer at your house discussing these matters.

A That is correct.

Q And you would spend additional time driving to work with him in the morning and at breakfast meetings with Mr. Miller, is that correct?

A Well, I drive to work in the morning anyway. Dave and I would drive in together. Dave didn't have a car for most of that time, and I would drop Dave off typically at Mr. Miller's office or wherever his first meeting was, and to the extent that we needed to meet in the mornings, early in the mornings, we would do that, park and have a meeting at Mr. Miller's office, and then I would go to work from there.

. Q Did you draw more money from your law firm in 1986 than in 1985?

. A I think so.

. Q Did that reflect additional hours that you devoted to your law practice in 1986?

. A Hours are one component of a formula, a very loose formula.

. MR. MEEHAN: Answer. Did it reflect more hours?

. THE WITNESS: I don't know.

. BY MR. FRYMAN:

. Q Did you bill more hours to your law firm in 1986 than in 1985?

. A I don't know.

. Q Did Mr. Fischer live at your house most of 1986?

. A He was at my house, I would estimate, three to four days a week for almost all of 1986, and into January of 1987.

. Q He continued to maintain a home in Utah?

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. A Yes. His wife and children were at his Utah home, and he started building a home here in Vienna sometime in the fall, I think, of 1986.

. Q I asked about time records of your work for IBC, and you indicated you have no time records.

. A That is correct.

. Q What documents do you have that reflect work that you performed for IBC?

. A Probably none. To the extent that I had--

. MR. MEEHAN: It will go quicker if you just answer his questions.

. BY MR. FRYMAN:

. Q Do you have evidence of anything that you wrote in connection with this consulting agreement?

. A Not in my possession.

. Q What is there that is other than in your possession that you know about?

. A Well, I think if I had an opportunity to review IBC's files and materials that they produce, I could find a host of things that I contributed to.

. Q What do you recall now?

. A As I indicated a few minutes ago, we could start with the brochure that IBC developed.

. Q This was the brochure that was written by the consultant that you brought in to draft it?

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A He was one of the participants, that is correct, in the preparation of the brochure.

Q And what was the subject of this brochure?

A IBC.

Q Was this brochure published?

A Yes.

Q And distributed to potential clients?

A Yes.

Q When was it published, if you recall?

A I don't. I would be guessing.

Q Describe the appearance of the brochure.

A I am not great at size. It is probably eight-by-12 or 14-by-10, or something like that.

Q Larger than regular letter-sized paper?

A Oh, yes.

Q Is it in color?

A Yes, it is. It is slick. It is a very slick, high-gloss finish. It has got individual cards in it not only on the individuals who are the principals of the IBC, but also on the range of services that are provided by IBC. There are about seven or eight different areas of expertise that IBC, wrote statements about it, it discussed work that IBC had done without breaching any confidential relationships with clients that they had had in the past. It was, I think, a very good product.

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. Q Did it have pictures?

. A I am trying to remember if it had pictures. I think it might have, but I haven't seen it now for a while.

. Q How many pages?

. A It wasn't really in page format. It is a fold-out, and it has kind of a jacket inside of it for inserts. I don't know if there were eight pages in it, 12 pages in it. It had things about that length, cards, hard cards or a little wider, that slipped in and out. It was made obviously for subsequent adaptation, and spent quite a bit of time developing it.

. Q But in terms of equivalent pages of text, Mr. Artiano, I mean we are talking about five to ten pages of text?

. A I am guessing at text. I would guess it is longer than 10 pages of text, but I would have to look at it again now to tell you exactly what the quantity of it was.

. Q Between 10 and 20 pages of text, such as you would generate in your law practice, in terms of number of words per page?

. A I don't know. Perhaps between 10 and 20 pages of text as I would generate, but it was a totally different type of product.

. Q And this was a brochure you worked on with a number of other people?

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. A That is correct.

. Q You talked with others about it?

. A That is correct.

. Q You didn't write it?

. A No, although I reviewed it after each section was written, may have made some contributions.

. Q You may have edited it?

. A That is correct.

. Q What, other than this brochure, did you participate in generating in terms of written product?

. A Material that was put out, some material I believe on NEPL, some material on the Space Defensive Initiative program, material on constitutional minutes, some proposals that were sent to specific clients, although frankly outside of I believe Panama I can't give you the names of those clients.

. I attended--

. MR. MEEHAN: He just asked you about written materials.

. BY MR. FRYMAN:

. Q Were these materials you have just described apart from the proposals to clients, were they in the nature of brochures also?

. A They were in the nature of--no, they weren't. I am trying to remember the format they were in. I think they were typically in a jacket, a regular typewritten, single or double-spaced pages in a jacket as they were sent out to the prospective clients.

. Q You mentioned NEPL and SDI and constitutional minutes. How many items do you recall, or to the best of your recollection, do you believe were generated in terms of products for these entities? Are we talking about more than 10?

. A Oh, much more than ten.

. Q More than 100?

. A Perhaps, perhaps. There were endless drafts and letters and promotional pieces, the range of services in public relations, media evaluations, demographic studies, the types of things you would expect a public relations firm to put together.

. Q So you think there may have been more than 100?

. A My guess would be yes, there were probably well over 100 in the course of a year.

. Q So we are talking about generating one on the average of every three to four days?

. A Maybe more. Again, I don't have possession of these files. I have never counted them. I am just giving you my sense, impression, that there was a tremendous amount of paper generated by IBC and by the clients of IBC that IBC was reviewing.

. Q And to generalize, what was your role in the generation of this paper, these approximately 100 brochures?

. A I might take exception to the word ''brochures''. They weren't all brochures.

. Q Or items.

. A These items.

. Q Information items. Did you draft them?

. A No.

. Q You didn't write them?

. A In some instances I participated in the drafting of them or edited them. I sat through meetings, strategy meetings prior to drafting, in which we came up with conceptual notions about how we wanted to approach something, about what items should be included in the final product, about identifying the proper people to whom they should be sent, working out a review process in each case prior to publication, talking about costs to the business.

. Q These strategy meetings, were these generally the meetings with Mr. Fischer in the evening that you have described or the meetings early in the morning with Mr. Fischer and Mr. Miller? I mean, were those a substantial number of this type of strategy meeting?

. A They were, yes. The answer is yes in both instances.

. Q You also mentioned proposals to clients. How many

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proposals do you recall you participated in?

A I think we had discussions. I think we had discussions about probably a dozen prospective country clients that IBC was interested in securing as clients of IBC, most of them in Central America, a couple of Asian countries, and some Arabic countries.

Q I thought you indicated you participated in the preparation of some written proposals to clients.

A That is correct.

Q How many of such written proposals?

A As many as either Mr. Miller or Mr. Fischer raised with me. As the business was developing, they would decide to target. They would get some information that would cause them to target a particular country, whether the country be Panama, Morocco or Brunei, whatever they happened to be. We would sit down and talk if Mr. Miller decided that was an appropriate target, or Mr. Fischer did, we would sit down and figure out how to best go about doing it.

Q Did you write any of these proposals?

A I wasn't the exclusive author of any of these proposals, but I participated in the manner I described a few moments ago in the preparation of most of this material.

Q That is you talked about them before they were written.

A We talked about them before they were written.

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. Q And you read them after they were written.

. A Sometimes Mr. Fischer would come back with an outline in the evenings. We would go over it, try to flesh it out, decide what needed to be included, what probably should be excluded, and how best to make that presentation, to whom it should be directed, how the prospective services should be described, what that would mean to IBC in terms of time and personnel. Those were regular, virtually nightly conversations we had.

RPTS MAZUR

DCMN DONOCK

2:15 p.m.

BY MR. FRYMAN:

Q Right. You mentioned a minute ago your calendars, which you have produced, and we will get to those in a few minutes.

Apart from the meetings in the evening with Mr. Fischer and in the early morning with Mr. Fischer and in some cases Mr. Miller and the other time you were able to make available at odd periods for them, do your calendars that you have produced reflect all of the meetings that you participated in in connection with this IBC arrangement that occurred during your regular working hours?

A No.

Q Why not?

A I would guess not.

Q Why not?

A As I indicated earlier, if I had an hour, hour and a half during the course of a day free, and it had been requested that I go over to Rich's office, I very well may not have entered it at all on my calendar.

It wasn't a law firm matter. I keep that calendar for purposes of time for the law firm. There are instances where I will put other things on it clearly, but certainly not all the time, as opposed to representation of a client, where I will typically enter all of the time I spent.

. Q Does your law firm have the practice of all of the attorneys preparing daily time cards for billing purposes?

. A We all have call cards. We keep them in different ways, and at the end of the month, each attorney submits a time sheet through his secretary, which is, you know, computerized.

. Q Summarizes hourly charges by client.

. A Yes, sir.

. Q Now, just to wind up the types of written work that you participated in for IBC. We have talked about the IBC brochure, we have talked about the various information items that were generated for NEPL and SDI and others, and we have talked about proposal to prospective clients.

. What else in the nature of written materials were you involved in?

. A I can't--there may have been other things. I can't recall them at the moment.

. Q Were those the major items?

. A I think so. You know, Mr. Fischer would come--in addition to telephone conversations I had during the course of the day, which were frequent--I guess that is--that is at least what I can recall as I sit here, having reviewed or discussed the one--for one purpose or another during the course of the relationship.

. Q Well, as of today, looking back on this period of a year which ended seven or eight months ago, the types of written materials that you have identified are the ones that you recall today?

. A That is correct.

. Q Now, did you understand that part of your compensation was for arranging meetings?

. A I think I understood from the beginning of the relationship that there would be occasions where Dave and I or one of us would be asked for one of various reasons to assist IBC on behalf of its clients in arranging a meeting.

. Q And did you do that?

. A On several occasions, yes.

. Q What were the occasions?

. A At my invitation, Elliott Abrams attended a luncheon. Either occasion, Elliott Abrams--I scheduled a visit with Elliott Abrams at his office at the State Department.

. Q Anything else?

. A No. Nothing that comes to mind immediately.

. Q Well, take a minute or two to reflect.

. A I am not recalling anything at the moment other than those two meetings that I on my own set up.

. Q Well, did you assist in setting up any others?

A Well, I think in every--in most instances anyway, certainly in many instances when Dave was asked to set up a meeting, Dave and I discussed it before it happened. I may, by the way, set up a meeting in the Vice President's office with--I may have set up a meeting with one of the Vice President's staff.

I know we had a meeting over there. I am not sure if I or Dave did that, but on any occasion when Mr. Fischer was asked to arrange a meeting, he and I reviewed it. Typically, he was the one that made the telephone call, not me.

Q So, in terms of making the telephone call, you did it for the two meetings with Abrams.

A Yes.

Q And one in the--one meeting with a member of the Vice President's staff.

A I think that is correct.

Q Who was the member?

A I don't recall. I know a lot of people--I don't know if Craig Fuller was in that meeting or if Lee Atwater was at that meeting. I just don't recall who was there when we had the meeting.

Q When was the lunch with Mr. Abrams?

A I am sorry. I don't recall the date of the lunch.

Q What was the month?

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A I can't tell you.

Q Was it in early 1986?

A I believe it was prior to the summer of 1986. It was probably in the spring, but I don't recall the specific date.

Q Who attended?

A Mr. Abrams and myself, Mr. Fischer, Mr. Miller, Mr. Gomez and Mr. Channel, C-h-a-n-n-e-l.

Q Two Ls.

Who asked you to arrange that meeting?

A Mr. Miller.

Q But Mr. Miller did not attend?

A He did.

Q But--I missed that. So it was Abrams, you, Fischer, Miller, Gomez and Channell.

A That is correct.

Q Did Conrad attend?

A I don't believe so.

Q And Miller requested the meeting?

A I believe so.

Q Do you know if Channell requested Miller to set up the meeting?

A Yes.

Q That is your understanding?

A Yes.

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Q Then Channell basically asked for the meeting?

A Yes, but I got the request through Rich.

Q Through Miller.

A But I believe it was on behalf of Mr. Channell. That is why he was at the meeting.

Q Why did you understanding this meeting had been requested?

A Mr. Channell had never met Mr. Abrams, I don't believe--prior to that time, and I think for obvious reasons, Mr. Abrams is--was Assistant Secretary for Inter-American Affairs, and was senior spokesman for the United States in matters concerning Central America, and Mr. Channell had an organization that was supportive of the President's position on the contras, and it was for purposes of an exchange of information.

I think Mr. Channell wanted to communicate to Mr. Abrams what he was doing and see what Mr. Abrams' thoughts on the matter were.

Q What happened at the lunch?

A Mr. Channell--to the best of my recollection, most of the luncheon was dominated by Mr. Channell. He told Mr. Abrams about all of the things he was doing, not only NEPL, but his other projects, some of which I have touched upon here, and talked about how he was hoping that he would be successful in supporting the President's platform on this, and appreciate the fact that Mr. Abrams was such a great spokesman for the Administration.

That was that type of luncheon.

Q Did Mr. Channell show Mr. Abrams any written material?

A I don't recall. He may have brought material to the meeting with him--to the luncheon with him to show Mr. Abrams. I think we talked about the commercials that Mr. Channell's organizations had produced.

I think he asked Mr. Abrams if he had ever seen any of the commercials. I don't recall whether Mr. Abrams had or had not. It is very possible he brought information or literature with him, but I don't recall if he did or didn't.

Q At this point, you and Mr. Abrams were very close friends.

A That is correct.

Q Is that correct?

Did you talk to Mr. Abrams afterwards about this luncheon?

A I mean, I certainly talked to him afterwards. I don't recall that we specifically talked about the luncheon. We may have, but it was--if we did, I guess it was inconsequential, because I don't recall his comments post that luncheon, about it.

Q Now, you said you arranged a second meeting with Mr.

Abrams.

A That is correct.

Q When was that?

A I don't recall exactly, but it was subsequent to that, the luncheon.

Q And who was in that meeting?

A Mr.--it was in Mr. Abrams' office, and Mr. Fischer and Mr. Channell and I were there.

Q What happened at that meeting?

A Mr. Channell had requested the meeting because he was at that point--I am sorry, I don't recall the date--concerned that the President was about to withdraw his support from the contras in one form or another, and was hoping to get some assurance from Mr. Abrams if that is the case.

The three of us went into Mr. Abrams' office. Mr. Channell's sort of talking. He got very excited because Mr. Abrams was telling him that at the minimum the President was firm in his support and really wasn't saying much more, and Mr. Channell started giving a speech and Mr. Abrams after--I don't know exactly how long the meeting went; certainly couldn't have been more than 10 minutes, as I remember it.

Mr. Abrams finally just got up and said, ''Gentlemen, you will have to excuse me. I have another meeting.'' We all got up and walked out of the room, and clearly, Mr. Abrams was upset by Mr. Channell's demeanor.

Q Did you discuss this afterwards with Mr. Abrams?

A I apologized to Mr. Abrams by telephone afterwards.

Q What did he say?

A He said it happens. You know, ''I am not offended.''

Q And you recollection about a meeting with someone on the Vice President's staff is very imprecise?

A Very imprecise. This, by the way, is another project being worked on and talked about that never came to fruition. Mr. Channell was attempting to put together a project which involved a series of speaking engagements to small groups of conservatives around the country, and was hoping to get the Vice President to commit to a number of those, to appear at a number of those engagements.

This was--I guess another fund-raising vehicle for Mr. Channell's organizations. Several letters, as I recollect, were--that I know I saw and may indeed have had a hand in drafting were sent back and forth between Mr. Miller and the Vice President's office.

At first, it appeared that the Vice President was going to commit. I believe that commitment was later withdrawn. I don't think it ever happened.

Q All right.

A And my recollection is that is what that meeting was about, although I tell you I--the meeting is kind of a fog to me. I don't have any specific recollection of it at all.

. Q Now, you have indicated that you considered--one of the contributions that you were making pursuant to this arrangement with IBC was to arrange for these particular meetings.

. A I think the way I stated it was that--I think I understood right from the outset that part of the services would be that there would occasionally be a request on Dave or on me or on both of us to assist IBC on behalf of one of their clients to set up a meeting with somebody in the Administration.

. Q And these are the ones you arranged particularly?

. A Those two, I did on my own, yes, sir.

. Q And I think you used the phrase you made the telephone call?

. A That is correct.

. Q And part of your compensation was for making the telephone call?

. A I would hardly describe it that way, but part of my compensation was for rendering services. Included in those services was assistance in connection with giving or getting information from the Administration, and in that respect, I agreed to help set up those meetings, and did.

. Q You said that was contemplated from the beginning that you would assist setting up such meeting, and that was to be covered by the compensation of--

. A That is correct.

. Q Now, the telephone calls for the other meetings you said were made by Mr. Fischer and not by you?

. A They were not always in the form of telephone calls. Some were in the form of letters requesting meetings. That we would draft joint or someone would do a rough cut of it, and we would all look at--and had it sent out.

. Q And you were aware that Mr. Fisher was making a request in one form or another for these other meetings?

. A Yes, sir, I was.

. Q And did these include meetings with the President?

. A Yes, sir.

. Q And Attorney General Meese?

. A Yes, sir.

. Q Who else?

. A Charles Wick--the meeting, for example, at the White House in January, the briefing in the Cabinet Room that was arranged with the help of Mr. Fischer in January of 1986 included Colonel North, Assistant Secretary Abrams, Don Regan and the President.

. Q Okay.

. Now, going back to your original series of meeting with Mr. Miller about this consulting arrangement, from the earliest discussions it was understood, was it not, that one of Mr. Miller's objectives from you and Mr. Fischer was setting up meetings with President Reagan?

A That is not correct.

Q When did that come up?

A The first time that came up was, as I recall it, was in January of 1986.

Q What were the circumstances?

A I am testing my recollection here, but to the best of my knowledge, it came up at a meeting at IBC which was attended by Mr. Miller and Mr. Fischer, myself, Mr. Channell and Mr. Conrad. Either prior to that meeting or at that meeting for perhaps the second or third time, we were reviewing a file that had been given to David and myself by either Mr. Miller or Mr. Channell, which included a stack of letters from Mr. Meese--I believe Mr. Regan and the President and perhaps the Vice President commending Mr. Channell for his efforts and making reference to meetings that Mr. Channell had already had at the White House, and the different agencies of the Executive Branch, and we were discussing at that meeting his current strategy for NEPL and media campaign they were planning to mount, things of that nature.

I don't have--a crystal clear recollection of this meeting. It was--a possibility of a briefing for a group of donors to NEPL at the White House--as far as I can recall was raised in that meeting for the first time, and I can't tell you who raised it, who raised that possibility, because none of us had thought about it.

I certainly hadn't thought about it, nor Mr. Fischer before that time, but it sounded like a terrific idea, and we went about seeing if we can make it happen.

Q So, going back to the original discussions, which you believe occurred in probably December of 1985, it was contemplated from the beginning that one of the contributions that would be made by you and Mr. Fischer would be to arrange meetings in general, but the President had not been specifically identified in that original series of discussions or negotiations.

A That is generally accurate.

Q Well, in what relationship is it not accurate?

A Well, I guess we keep attempting here to define what services that were contemplated initially were. I have done my best thus far to give you my understanding of the range of those services as were discussed initially.

Q Right.

A As I indicated, one of many things mentioned in those--that first series of conversations and in the early negotiation with Mr. Miller were at three meetings that I references with Mr. Regan and Mr. Abrams and Mr. Laxalt on behalf of MEPL for purposes of examination of information and perhaps getting some--getting additional support from those people for the types of programs that MEPL was undertaking.

To the extent the meetings were discussed, that is it. This subsequent January conversation, I have just described to you, was indeed something absolutely new in terms of the shape of this relationship, and the services to be rendered. It was not something that had been contemplated initially.

Q Okay.

How many meetings did you and/or Mr. Fischer arrange with President Reagan and on behalf of an individual or a group associated with Mr. Channell?

A I can't give you a specific answer to that question, because I didn't arrange those meetings myself and didn't attend any, but one of them, and the one I attended was not with an individual. It was the one I just described. It was with a group of probably 30 people--35 people in the Cabinet Room.

I would be guessing--six.

Q You were aware, were you not, of Mr. Fischer's efforts to arrange such meetings?

A Yes, sir.

Q But he made the phone call, not you--I think to use the phrase?

A Figuratively, yeah, he made the arrangements.

Q Now, did you become ware at some point in 1986 that Mr. Channell and Mr. Conrad had the understanding that they were paying you and Mr. Fischer $50,000 for each meeting with Mr. Reagan?

A At some point in 1986, early in 1986, although I can't again tell you the date, both Mr. Fischer and I, through a vehicle I can't recall now or I would share it with you, became aware of the fact that either Mr. Conrad or Mr. Channell or both of them felt that they had made a payment for arranging a meeting.

Q This was told to you, I take it, by someone?

A Yeah. I mean, it was either a comment that was made to Dave or in somebody's presence, but we became aware of it, and were very concerned about it.

Q Why were you concerned?

A Because that was not--it was inaccurate. That was not the relationship we had then. It was not the relationship we anticipated, it was not one we would have entered into and it was inaccurate and we wanted to correct it.

Q What did you do?

A We had a meeting--called a meeting.

Q When was this meeting?

A I don't recall the date of the meeting, but it was immediately after this became known to us and we were concerned about it, and we telephoned Mr. Miller and said, ''We would like to have a meeting.''

Q Where was the meeting?

A It was IBC's offices.

Q Who attended?

A Mr. Miller, Mr. Gomez, Mr. Fischer, Mr. Channell, Mr. Conrad and myself.

Q What was said at this meeting?

A We addressed the issue I just discussed. Said, ''It has come to our attention you may feel''--this was addressed to Mr. Conrad and Mr. Channell--''or that somebody may have mentioned or indicated that we have been paid for meetings or retained by one of your organizations, and that is wholly inaccurate, and we have called this meeting to make sure that everybody understands that we have a continuing retaining relationship with IBC, we are available to IBC for all of the reasons--all the prefaces I have discussed with you already here earlier today,'' and that ''we would appreciate it if no one ever made that kind of inaccurate remark again,'' and there was complete concurrence around the table as to all points.

Q Had you received a payment of $50,000 from IBC after the January meeting with President Reagan?

A We received--best of my recollection--I don't have the schedule in front of me--received a $50,000 payment either in late January or early February.

Q And the retainer agreement that you have described provided for $20,000 a month?

A That is correct.

Q What was the reason for the $50,000 payment entered late January or early February?

A There were two reasons for it. The first reason was, as I indicate now and on several occasions, is that between the commencement of this relationship in December and mid-January, or by the second week in January, it became very clear to us--it certainly had by the end of January--that the amount of time that both Mr. Fischer and I, perhaps at that point more so Mr. Fischer, had been called upon to dedicate to this, was grossly in excess of what had initially been contemplated.

Therefore, we asked Mr. Miller, and he obliged us to accelerate payments, and I think as early as that date, we were discussing or at least thinking about increasing the initial financial remuneration in the anticipation that this increased call on time and resources was going to continue and thereby preclude Mr. Fischer for one from developing a broad-based consulting operation.

We also, I will add--Dave and I both had some concern over being paid at all. I think that is always--always in the back of your mind in one of these relationships, and we felt a lot more comfortable being ahead of the game at that point, just on the basis of the initial agreement than behind the eight ball, and we are both as I indicated a moment ago, talking about the fact that there would have to be an adjustment in the compensation if this amount of time and effort were going to be dedicated on a regular basis.

Q Do you recall that the original $50,000 check was returned for insufficient funds?

A I think that happened--I don't recall that specifically, but I think that happened on more than one occasion during the course of this relationship.

Q When you had this meeting with Mr. Channell and Mr. Conrad, did they tell you that they had understood they were paying $50,000 per meeting with President Reagan?

A No, sir.

Q Well, did they deny that was their understanding?

A The--my recollection of that meeting, there was absolute unanimity among all of us in connection with what the relationship between Mr. Fischer and I and IBC was. There was absolutely no remark that I can recall in that meeting challenging that or disputing it in any sense.

We didn't hold that meeting to create any animosity. We held it to make sure that they understood that, and to the extent that somebody had made a remark along those lines, that wouldn't happen.

. Q Did you ever become aware that subsequent to that meeting, Mr. Conrad said they paid you $50,000 per meeting with President Reagan?

. A Subsequent to that meeting?

. Q Yeah.

. A No.

. Q Did you ever arrange meetings with Administration officials, for anybody else, under any other consulting arrangement other than the ones you described today?

. A Consulting arrangement other than IBC?

. Q Yes.

. A And outside of the law firm?

. Q Yes.

. A Yes.

. Q What?

. A I consulted to--in connection with several other people--Micro-Gravity Research Associates, which is a high-tech organization that manufactures a type of crystal. A meeting was set up--two meetings were set up on their behalf--one with Mr. Keyworth, who was the present--since advisor, and I believe one was an official at the Department of Transportation, although I didn't attend that meeting.

. And in other instances--and I am now going back to

1984, perhaps, as early as 1984, maybe '85--there was a project that was presented to me by some folks in New York who owned an advertising barter company, and they had access to both numerous--by numerous, I mean tens of thousands or airline tickets they had gotten control of in a transaction with one of the airlines, and I don't remember which one, and discount hotel rooms, and they were interested in selling those to the United States Government, and they were being sold at a rate cheaper than the best government rate, and asked me to set up meetings, which I did, with the folks responsible for those types of decisions, and three or four different agencies.

I don't recall the precise people with whom I set the meetings up, but yeah, I did that, sure.

Q In response to my original question, you made the remark other than through your law firm. Is that a part of your law practice, to arrange meetings with Administration officials?

RPTS MAZUR

DCMN BANMAN

A No. The only meetings we had were--I was just trying to define your question.

Q. Why did you think you needed to exclude your law firm?

A Well, there have been times in the last five years when I have had reason to sit down with someone in the Administration on behalf of a client that I have, because it is a matter pending before that agency or under that person's jurisdiction for advice or whatever.

Q But that is a meeting that you yourself have--

A Yes, sir.

Q --rather than arranging an introduction for someone else?

A Yes, sir.

MR. FRYMAN: Ask the reporter to mark as Artiano Deposition Exhibit 1 for Identification a subpoena duces tecum addressed to Martin L. Artiano, June 3rd--dated June 18, 1987.

[Artiano Exhibit No. 1 was marked for identification.]

[Discussion off the record]

BY MR. FRYMAN:

Q Mr. Artiano, I show you Exhibit 1 for

Identification and just ask you to confirm that's a copy of the subpoena duces tecum that was served I guess on your counsel on behalf of you.

A Yes.

MR. FRYMAN: Ask the reporter to mark this volume as Artiano Deposition 2 for Identification, which contains the records produced by Mr. Artiano's counsel relating to an account at the American Security Bank, account number [redacted]

[Artiano Exhibit No. 2 was marked for identification.]

MR. FRYMAN: Ask the reporter to mark as Artiano Deposition Exhibit No. 3 for Identification documents that have been produced by Mr. Artiano's counsel relating to a checking account at the American Security Bank, account number [redacted]

Privacy

[Artiano Exhibit No. 3 was marked for identification.]

MR. FRYMAN: I ask the reporter to mark as Artiano Deposition Exhibit 4 for Identification documents that have been produced by Mr. Artiano's counsel relating to the following accounts at the American Security Bank: account number [redacted]; account number [redacted] and account number [redacted].

[Artiano Exhibit No. 4 was marked for

identification.]

BY MR. FRYMAN:

Q Now, Mr. Artiano, Exhibits 2, 3 and 4--

MR. MEEHAN: Exhibit 2 appears to be your PC account, check register and bank statements with checks. Are the checks included here? I haven't had a chance--yes, they are--and also statements from--some statements from your accounting firm summarizing some of the bank statements, and these were produced in response to the subpoena that was served on you by me and were obtained by me from the accounting firm--Anthony & Williams is the name of the accounting firm.

MR. FRYMAN: And Exhibit 3 is the materials that you have produced relating to the personal account, account 795--

MR. MEEHAN: These are documents many of which came from Mr. Artiano's office, because some of these personal accounts were kept there and are the bank statements with checks. The check registers are in here also, I believe.

This account number did change on its first two numbers, became [redacted] rather than [redacted].

There is another personal account. Is that marked as Number 4?

MR. FRYMAN: Well, if you will look in Exhibit 4, there are three accounts in there. The last digits are [redacted].

MR. MEEHAN: Which appears to be a money market account at the American Security Bank.

MR. FRYMAN: And [redacted].

MR. MEEHAN: Which appears to have been opened in early 1986.

The account ending in number [redacted] appears to be a personal account which had, I believe, its only actual transactions in and out in December '85 or early 1986, and account number ending with [redacted] is a premier credit line statement with the American Security Bank beginning--it appears in the summer of 1986--the first statement appears to be September 1986 and continues to April of 1987.

BY MR. FRYMAN:

Q Now, subparagraph A of the schedule attached to the subpoena, Mr. Artiano, calls for you to produce for the period July 1, 1985, to the present, all records relating to bank accounts over which the respondent had any authority to withdraw funds, and then it describes particular types of documents relating to those accounts.

Now I will direct this question both to you and your counsel: Is it your belief that Exhibits 2, 3 and 4 constitute all of the documents that are responsive to that paragraph of that subpoena?

A Yes.

MR. MEEHAN: I believe it does. We supplemented. Apparently we might have had some statements in the original response and since then supplemented it, so--

BY MR. FRYMAN:

Q And are those accounts that have been identified, Mr. Artiano, the only bank accounts during that period over which you had any authority to withdraw funds?

A Yes, sir.

MR. FRYMAN: Ask the reporter to mark this document as Artiano Exhibit 5 for Identification.

[Artiano Exhibit No. 5 was marked for identification.]

BY MR. FRYMAN:

Q Mr. Artiano, Exhibit 5 is a 1985 Federal income tax return and there also are some materials relating to a Virginia return included in that.

Are those the only materials that you have that are responsive to subparagraph B of the schedule attached to the subpoena, which calls for 1985 and 1986 tax returns?

MR. MEEHAN: I think we submitted the extension certificate for the 1986 tax return.

MR. FRYMAN: All right. There was not a 1986 tax return?

MR. MEEHAN: No. But there was an extension and certificate that was filed with the Internal Revenue

Service.

MR. FRYMAN: And that is also included in Exhibit 5.

Mr. Meehan, it is my belief that Exhibit 5 is all of the tax materials that you have submitted, and if you would just look through that land confirm that is the case.

MR. MEEHAN: We have a separate document form 4868, but that is the '86 extension notification to the Internal Revenue Service, as well as a copy to the State of Virginia.

MR. FRYMAN: And those are the materials that Mr. Artiano has which are responsive to subparagraph B; is that correct?

MR. MEEHAN: Yes.

MR. FRYMAN: Finally, I would ask the reporter to mark as Artiano Exhibit 6 for Identification a group of calendars or redacted calendars which have been produced.

[Artiano Exhibit No. 6 was marked for identification.]

MR. FRYMAN: Mr. Meehan, if you and Mr. Artiano will look at Exhibit 6 and confirm those are the calendars that you have produced.

THE WITNESS: That's the redacted calendar for the period of 1985 through July 1937--or to July 1987.

MR. FRYMAN: And were those calendars produced in response to the request in subparagraph C of the schedule attached to the subpoena?

THE WITNESS: Yes.

MR. MEEHAN: Also in response, in fact, to subparagraph E in part, as well as some of the bank statements, are in response to C as well as A, as you would know. He related to David Fischer--some of the portions of the calendars relate to meetings with Mr. Fischer, and Mr. Miller obviously is covered by C.

MR. FRYMAN: All right.

Now, do the documents that have been marked as Artiano Exhibits 2, 3, 4, 5 and 6 constitute all of the documents in Mr. Artiano's possession which are responsive to subparagraphs A, B, C, D and E of the subpoena?

MR. MEEHAN: I believe they do.

MR. FRYMAN: All right.

BY MR. FRYMAN:

Q Just a few brief questions, Mr. Artiano, with respect to Exhibit 6, the calendars.

These calendars, I take it, are the only references to work performed pursuant to the consulting agreement with IBC?

A Yes, sir.

Q Is that correct?

If you would look at the calendar entry for February 25, it is a reference to a breakfast meeting at

Dupont Plaza and the initials appear to be DF, RM and SC.

Who do they represent?

A Dave Fischer, Richard Miller and Spitz Channell.

Q There is another reference on a page that has 13, and I can't tell the month. And there is an entry at 11:30, it appears, for a White House lunch, or WH lunch, which I take it is White House lunch.

A That's correct.

MR. MEEHAN: The next page is March of '86.

BY MR. FRYMAN:

Q What does that entry relate to?

A I don't know. I pulled it because I suspected it may have been something that needed to be supplied pursuant to the subpoena.

I had a lunch at the White House with Dave Fischer and the Warms, I believe their names were. They were contributors, donors, to Mr. Channell's foundation, I think to NEPL. Dave had invited them to lunch at the White House and had invited me to come along, and I didn't know if that was the reference to that, because I had lunch at the White House other times clearly.

Q Who else attended this luncheon at the White House with the Warms?

A Myself and David Fischer.

Q Now, at this time Mr. Fischer was not a White House employee?

A That's correct.

Q Was there any White House employee who attended?

A It's possible that Jim Kuhn or someone was there when we arrived and sat us down at our table, but from my recollection only four of us sat through the whole lunch with Mr. Fischer and myself and Mr. and Mrs. Warm.

Q Was this luncheon in what is known as the White House Mess?

A Yes, sir.

Q Did Mr. Fischer retain privileges at the White House Mess after he resigned?

A I don't know. That's a good question. I don't know whether Mr. Fischer retained those privileges or not.

Q But you have no specific recollection of anyone from the White House being a participant in this lunch?

A No. The only four people I remember being at the lunch are the people I mentioned. I don't know whether someone came in and sat us down at the table and then left.

Q If you would--

MR. McGOUGH: Do you know if Mr. Fischer retained his White House pass after--

THE WITNESS: I believe he did.

MR. McGOUGH: Did he use the White House pass to gain entry to the White House Mess?

THE WITNESS: I don't think so. You know, when you go into the White House, you have to clear a security on the outside. Typically you do that by calling in to whomever is going to clear you. You give your name, you're cleared at the gate and, when you go in, you present some kind of picture identification at the gate.

I have no idea what he submits at the gate when he goes in. Once you're in the White House, you're typically met by somebody or you go into somebody's office and then proceed from there. But I never saw someone show a pass to get into the White House Mess.

To get into the White House you just need to be cleared by anyone inside the White House.

MR. McGOUGH: Did you ever see Mr. Fischer display his pass during the meeting with the Warms or during the day with the Warms?

THE WITNESS: No.

MR. McGOUGH: Just a White House pass?

THE WITNESS: I don't think I've ever seen his White House pass, as a matter of fact.

MR. OLIVER: Isn't it true when you go to the White House Mess, you're given a badge?

THE WITNESS: Similar to what you've got around your neck.

MR. OLIVER: Did Mr. Fischer wear a visitor's badge?

THE WITNESS: I have no idea. I have no recollection.

BY MR. FRYMAN:

Q Turning to the entry on March 19th, there's a reference to a meeting with Mr. Luss.

Who is Mr. Luss?

A Mr. Luss is chairman of San Diego Federal. That was--that meeting is totally unrelated to the subject we're discussing, but it was an entry on my calendar that showed Dave Fischer and I included it to err on the side of caution in terms of responding to the subpoena.

Q I show you the entry on March 13th, 1986. Could you read that entry for the record.

A Yes. Need to firm up proposal with Conrad.

Q What does that refer to?

A I have no idea. I'm sorry.

Q There is an entry on April 9, 1986, to a dinner at Maison Blanche. Do those initials indicate Mr. Channell and Mr. Fischer?

A Looks to me like SC and DF, although--I guess I thought it was, which is why I pulled it out of here. But it's not real clear to me from that, but it could very well be Mr. Channell and Mr. Fischer at the Maison Blanche.

Q Finally, there is an entry on July 31, 1986, a

12:00 White House lunch or WH lunch which, I take it, means White House lunch.

A Correct.

Q What does that refer to?

A I don't know.

Let me tell you what I did when I was redacting, to share the process with you.

Typically when I had a White House lunch, I put something next to it. In other words, I identified who I was going with. On the two occasions that appear in the redacted calendars, there was nothing next to the White House lunch and I knew that I had gone at least once with Mr. Fischer and the Warms to lunch. I didn't know if that related to this matter so I included it anyway

Q All right.

A I wish I could tell you more on that.

MR. FRYMAN: Why don't we take a break for less than five minutes.

[Recess]

RPTS CANTOR

DCMN BANMAN

3:15

BY MR. FRYMAN:

[redacted]

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Pages 132 through 151

DENIED IN

TOTAL

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[redacted] PRIVACY [redacted]

[Discussion off the record]

MR. MEEHAN: We have gone through a lot of personal financial transactions with Mr. Artiano which are unrelated really to your investigation.

I understand why you had to ask them and I'm not sure what is going to happen with the transcript, but I would request that staff join with me, if the transcript is to be released, requesting that this portion be redacted so that it not be any part of the public record at any time.

MR. FRYMAN: Your request is noted and we will attempt to comply with that request.

MR. MEEHAN: On that line, obviously, we are concerned about the New York Times article yesterday in which it appears that the day before he comes up here to testify, the article ran and that somehow information--it certainly did not come from us or from anyone connected with Mr. Artiano--with respect to the fact that he would be coming up here.

And so we are concerned about material leaking out by accident or for any reason, and this material, which is really totally unrelated to the investigation, it seems to me should not come out in any event, and we request that as the time and the report is prepared--I don't know that other people have had to turn over documents relating to their divorce in situations like that, but to the extent that in his case if a portion of this is going to be made public, it be limited to that which relates to the investigation.

MR. FRYMAN: As I say, your request is noted, and I think it's a reasonable request, and we will attempt to comply with that.

I would also just like to note that you and I, prior to the commencement of the deposition, discussed the New York Times article and I expressed to you my concern about that article and I stated to you that the first time I had any inkling that the article was coming was when I read it in the paper yesterday. If you have any indication of the source of that article, I would like to know about it.

I have discussed it with the Chief Counsel of the House Committee and I have expressed my concern to him about that article. It is a discussion we had yesterday, and I'm sure he would equally like to know the source of that article, and if you get any information I would appreciate it.

MR. MEEHAN: We knew a day in advance because Mr. Berke was trying to reach Mr. Artiano--the man whose byline is on the article. But certainly the source or the idea of the article did not come from us, though Mr. Hibey did speak with him when he reached him on the phone, though he didn't know when he answered the call that that is what it was about. But some of the material ended up in the article but we don't know where or how it came about.

MR. FRYMAN: As I say, I share your concern.

BY MR. FRYMAN:

Q Let me just ask a few concluding, general questions, Mr. Artiano.

You have indicated that you received approximately $200,000 from International Business Communications; some of the monies that you received, you relayed to Mr. Fischer pursuant to your understanding with him, and that some of the monthly checks were made payable to you and you then paid him a portion of it.

Other than the monies that you relayed to Mr. Fischer, did you transfer to anyone else any portion of the monies you received from IBC?

A No, other than the things we have just gone over. I commingled that money with my personal money, with my PC money, and then spent it, as you can see.

Q But other than that commingling, was there any sharing of the proceeds--

A Absolutely not.

Q --from the IBC contract with anyone other than Dave Fischer?

A Absolutely none.

MR. FRYMAN: Mr. Meehan, as I indicated, I will follow up with you with some written questions about some of the other materials and the bank records.

I am hopeful that we can resolve those questions in writing.

I have no further questions at this time.

In the event that we are unable to resolve them, it may be necessary to resume the deposition at some point. But it is my hope and expectation at this point that we can avoid that.

MR. MEEHAN: Fine. We will attempt to respond promptly to your request.

BY MR. McGOUGH:

Q Mr. Artiano, we spoke before, I believe, at the interview.

When did you first inform your law firm of your activities with or on behalf of IBC?

A I advised all of my partners of my participation with Mr. Fischer on behalf of IBC early in 1987. I believe it was January or early February of 1987.

Q So that would have been really a year or thirteen months after you first entered into this arrangement with Mr. Fischer; is that correct?

A That's correct.

Q There was a period of time, was there not, when Mr. Fischer was actually doing business from your office?

A There was a period of time when Mr. Fischer was coming into Washington, using the IBC offices, and occasionally coming by my office and using a second phone I have in my office, which is on the opposite end of the room from my desk.

He would come in for half an hour, 45 minutes, make a few calls and leave.

Q Did you explain to your law partners who he was and what he was doing?

A My law partners know Mr. Fischer.

Q Were they aware that you had any kind of business relationship with Mr. Fischer at the time he was coming in and using your office?

A Probably not.

Q Can you tell me, give me an estimate of the number of billable hours you reported to your firm in 1986, calendar 1986?

A No.

Q Was it over 2,000?

A I doubt it, but it was probably around there. My billable hours have been pretty consistent.

Q In the neighborhood of 2,000 hours?

A I think so, but I would have to go back and take a look.

Q During the first quarter of 1986, when I believe you said your activity on behalf of Mr. Channell's organization was most intense--it would be January, February, March of 1986--did the billable time you were reporting to your firm drop at all?

A I don't believe so. I would need to go check those records to give you a specific answer, but I was spending most evenings working on this with Mr. Fischer, and I was spending weekend time working on it, and as I described in the answer to Mr. Fryman's questions, I was doing my best. I believe I accomplished the end, the goal, of not having it interfere with my activities on behalf of the law firm.

Q Did you have any other business ventures during that first quarter of 1986 that required any of your time?

A Microgravity may have been active for me at the beginning of 1986, but I don't remember. That is a possibility, as well as Combs, which were both separate ventures. I didn't spend an extraordinary amount of time on either of those matters.

Those are the only two business matters I can think of.

Q Can you tell me what your approximate gross receipts were from the Microgravity project?

A My personal receipts from that were about $6,000.

Q And as far as Combs is concerned?

A About 5,000-6,000 approximately.

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Q What role, if any, did you have in setting up meetings for Mr. Channell and/or his contributors at the White House?

A I knew that they were intended. I discussed them with Mr. Fischer, with Mr. Miller, occasionally with Mr. Channell, and perhaps Mr. Conrad. We talked about all of the things you would ordinarily talk about in setting up those types of meetings, about timing, about clearance procedures, about dates, those types of things. I had no direct contact with the White House.

Q That was going to be my next question.

Did you speak with or communicate with anyone at the White House directly?

A No, sir.

Q Mr. Fischer handled that end of it?

A Yes, sir.

Q The scheduling.

Did you assist in preparing any written descriptions of Mr. Channell's organizations or his contributors for submission to the White House?

A I believe I worked with Mr. Fischer in the preparation of a memorandum he sent to Chief of Staff Regan.

Q And that memorandum described, did it not, NEPL and the American Conservative Trust and their activities; is that fair to say?

UNCLASSIFIED

A I have not seen that memorandum probably for over a year, but I would guess that that's probably what was in the memo.

Q In January of 1986 were you aware that Mr. Channell and his organizations were raising money for direct assistance to the contras, that is, money to be given or passed along through intermediaries to the contras?

A No.

Q What did you understand?

A We understood their role to be a media-oriented role. We knew they were doing commercials. They were planning to do more commercials. They were supporting the Administration policies in that respect. That is a fairly expensive way to go.

I also--although I never was frankly real familiar with exactly how this was done, I knew that they were providing humanitarian aid, or believed they were, for the Nicaraguans.

Q Can you elaborate on how you knew they were providing humanitarian aid?

A I read the formal packages that had been prepared on behalf of NEPL prior to Mr. Fischer and I beginning our consulting relationship with Mr. Miller.

I was certainly present at meetings where NEPL was discussed, and these programs were discussed.

As I say, I don't have a specific recollection of any discussion of humanitarian aid. All of my recollections go to media campaigns. That was the principal part of the conversation.

Q But you were aware at least one facet of their activities was raising money for the supply of humanitarian aid to the contras?

A I believe so. Had I been asked at that time, I probably would have responded that way.

Q Do you recall whether the memorandum you helped prepare for submission to Mr. Regan included any reference to that aspect of NEPL's activities?

A I don't. I'm sorry.

RPTS MAZUR
DCMN BANMAN
4:15

BY MR. McGOUGH:

Q Do you recall anyone ever making a conscious decision not to mention that appearance of NEPL's activity at the White House?

A No.

Q Were you at all--involved at all in setting up meetings with Charles Wick?

A No.

Q How about with Attorney General Meese?

A In setting up that meeting.

Q In setting up the meeting. I know we won't go to attending it.

A No.

Q You weren't the contactor involved in that?

A No, I don't believe so.

Q You were present, however, at a meeting with Attorney General Meese; is that correct?

A That is correct.

Q Can you describe what that meeting was about?

A That was a meeting attended by Dave Fischer, Richard Miller, Frank Gomez--I believe Frank Gomez was there--Mr. Channell and Mr. Conrad.

This was in connection with the Constitutional Minutes program. They were trying to get organized. They had already done some preliminary--produced some preliminary paperwork on, I believe--certainly in the form of a description--a proposal for it.

They were interested in advising the Attorney General and his staff that they were planning to do this, and the purpose of the meeting was to let them know that and to seek any kind of guidance or help that the Justice Department might be able to lend in terms of recommending constitutional scholars that might help draft these television spots and that sort of thing.

Q Do you recall who set that meeting up?

A I believe Mr. Fischer set it up.

Q Let's jump, if we could, to January of '86, where in the discussions about the upcoming briefing at the White House for NEPL contributors, I believe you said that in discussions--whether late in '85 or early '86--someone brought up the possibility of such a briefing and it sounded like a terrific idea, and you and Mr. Fischer pitched in to help it happen.

Is that a fair summary of what--

A That's correct.

Q During those discussions was there mention--did anyone mention to you that there had been earlier briefings at the White House?

A As I indicated earlier, I saw a--a folder.

Q Yes.

A And in that folder, which had been provided to me through Mr. Miller, he had received it from Mr. Channell, I'm sure, or had prepared it for Mr. Channell with a stack of letters, and the letters referenced meetings.

There were letters commending Mr. Channell and his organization--meetings in the White House, and I had been advised either by Mr. Channell or by Mr. Miller, as I did Fischer, that they had had a series of meetings in the White House and that from this recollection that was substantiated in this packet of letters.

Q So is it fair to say when the idea of a briefing was discussed in late '85 or early '86, it wasn't a new idea; it was a variation on something they had done before? Is that fair to say?

A That's correct.

Q And what did you and Mr. Fischer bring to the January briefing that was different in any way from what they had done before?

A Well, I don't know this for a fact, but I don't believe they had ever had a Cabinet Room briefing. Those are obviously difficult to arrange for a host of reasons. We discussed--precisely that, frankly, at the meeting, how difficult that is to do, you know, what would be involved, what steps needed to be taken, the fact that we would need to advise--immediately advise the Chief of Staff and perhaps some people at the National Security Council--I don't remember who.

But Dave and I, during the course of that meeting and afterwards at length for--probably twenty occasions--discussed it, and Dave went forward and we prepared the memorandum to Mr. Regan.

I know Dave spoke to Mr. Regan about this prior to that briefing and probably spoke to other people, although you have to ask him with who he spoke, and managed to get it approved and put on the schedule.

Q You either stated or implied, I think, that it was in the course of discussing that White House briefing that the idea of an appearance or meeting with President Reagan was first broached to you.

Is that--am I correct or did I draw that correctly?

A No, you're correct. That was the first time anyone had raised any kind of meeting or making the President available for any purpose.

Q Whose idea was that? Do you recall?

A You know, I don't. I don't remember who initiated it. We were kind of having a strategy session around the table and talking about the future of NEPL and what Mr.

Channell hoped to accomplish, you know, getting someone from the Administration to voice directly to the donors that--you know, this was a real important policy for the Administration.

. Q And I guess whenever it was voiced, everyone agreed that would be a good idea, to have the President--

. A Correct.

. Q By that time you and Mr. Fischer had been on a $20,000 a month retainer for a couple of months; is that fair to say?

. A For two weeks.

. Q Two weeks.

. A I believe. Approximately two weeks.

. Q There came a point, did there not, when I think you said the deal was renegotiated and--there was an agreement to accelerate payments; is that fair to say?

. A That's correct.

. Q Can you be a little more specific about what the payments--the new payment structure was to be?

. A Well, I can--the best I can tell you is this. The payment structure--after the first arrangement which set forth the $20,000 a month, $20,000 a month payment stayed in a state of flux for as long as I was a direct participant in any of those discussions.

. By mid to the third week of January it was clear that Dave Fischer was spending virtually full time on behalf of IBC. I was spending a lot more time than I ever dreamed I would be spending on it, and Dave and I--to each other, and I'm sure to Rich Miller--indicated this was not anticipated, that the fee structure would have to change and it would have to be increased and indeed, as I've expressed earlier, that both Dave and I were concerned about the fact this would just stop as suddenly as it started, so we thought it was wise to get an advance payment so we were not behind a curve.

. Q Do you recall striking an agreement at that time to accelerate payments so that $280,000 would be paid over the course of the next four months?

. A No.

. Q Was there ever any agreement to that effect--I'm not saying that was what the payment structure was, but do you ever recall striking that agreement?

. A No, I don't.

. Q Do you ever recall--do you recall what the accelerated payment schedule was to be?

. A I don't think there was ever a specific agreement about it. I--I know that Mr. Miller, at least at the beginning, although I--at some point was not again directly involved in these conversations--was very amenable to the request for acceleration of payments.

Q But let's get a little bit more specific. What were you asking for as far as--I mean acceleration can mean a lot of things. What was your proposal to remake the contract?

You had an oral agreement to take $20,000 a month over 24 months. What did you propose as an alternative in January of '86?

A Two things happened at that point. One was first the acceleration, and the number that Dave and I came up with was $50,000 in terms of give us an accelerated payment at the end of January or February, get ahead of us a little bit, give us a check for $50,000.

Q One $50,000 accelerated payment?

A Yeah. I don't remember if there was another check during the course of the year for $50,000.

Q I'm just talking about the proposal at this point. I understand the deal continued to evolve as time went on, but what I'm trying to do is get a snapshot of what the deal was in January of '86.

A You've got the snapshot.

Q And what is that?

A The snapshot is that we asked for an accelerated payment, an accelerated payment in the form of an amount over and above the $20,000 to be paid at the end of January, the beginning of February, and advised Rich Miller that to the extent that the dedication of time was going to even approximate what had happened in the first month of this agreement, that--numbers will have to be renegotiated out.

Q I understand that.

Now, the payment that you wanted at the end of January or early February was $50,000; is that correct?

A That's correct.

Q Did you discuss any future--any other acceleration at that time? Did you look beyond--for accelerated payments beyond late January or early February?

A I don't believe we did. If we did, I certainly don't recall the conversation along those lines.

Q So you don't recall agreeing to essentially compress the $280,000 over a four-month period?

A No.

Q Do you recall Mr. Miller or--do you recall either hearing from Mr. Channell or Mr. Miller relaying to you any requests by Mr. Channell for--or any conditions by Mr. Channell on that acceleration, anything you would have to do for him?

A I'm not sure I understand your question.

Q Did Mr. Channell ask for anything in addition to--anything in exchange for the accelerated payment?

A No. First of all, the question is not really answerable because Mr. Channell was not the person with whom we had the financial arrangement. It was Mr. Miller.

Q I understand that. But it is answerable in the sense that did Mr. Channell express to you, either directly or through Mr. Miller, a desire for anything in exchange for agreeing to concur in acceleration of payment?

A By concurring you mean that he was--he was making payment to Mr. Miller?

Q That's the explicit assumption, that Mr. Miller was not the one bearing the payments.

A I guess the answer is I don't know if there were any conditions put forward.

I know that Mr. Channell certainly for the first several months and I believe thereafter was delighted with the services he was getting, both from IBC and from the additional input of Mr. Fischer and myself, and I believe was getting what he wanted from IBC.

Q Did Mr. Miller ever come back to you and ask for any additional effort or any additional commitments in exchange for the accelerated payment of $50,000?

A Well, I'll be perfectly honest with you--and I'm not trying to not answer this question; I just don't understand it. Mr. Miller--the reason the accelerated payment came up in the first place was because Mr. Miller kept asking for more and more and more and more in terms of time and energy and devotion to his business, and as a consequence of that we said hey, why don't you guys get ahead of us on this and why don't you rethink these numbers because it's not going to work at $20,000 a month. I said this isn't the deal we cut, this isn't the way we want to proceed.

Mr. Miller continued to ask for lots and lots of things over the course of the entire relationship. That's the best answer I can give you.

Q Did you discuss scheduling presidential meetings with Mr. Miller?

A Yes.

Q Your ability to do that?

A Our efforts to do that, sure.

Q Or efforts to do that.

Did you discuss the scheduling of those meetings in conjunction with the acceleration of payments?

A No.

Q Did Mr. Miller ever come back to you and ask you prior--strike that; start again.

Prior to agreeing to accelerate payments, did Mr. Miller come back to you and inquire as to your ability to schedule four presidential meetings over the next four months?

A You know, I don't even think I can answer the question, and I'll tell you why. When we sat down at a table with Mr. Fischer and Mr. Miller and perhaps Frank

Gomez and myself, and we're going over all of these things, we may have covered five or six subjects at the same meeting. In other words, Mr. Miller may have come to us and said, you know, gee, can we do this three or four more times, and that would be one segment of a conversation, and also can we do this, this, this, and that would be another subject, and we may have raised payments at the same meeting in the course of the same two or three hours or the same breakfast.

You know, in my mind certainly those things were never tied together. They were all components of the relationship.

Q But they were certainly all discussed in the same time frame?

A I'm sure that they were all discussed in the same time frame, yeah.

Q And presidential meetings never even was raised as a subject until January of 1986; is that right?

A That's the best of my recollection. That's the first time that surfaced.

Q And it was also January of 1986 when you and Mr. Fischer requested an acceleration of your payments; is that correct?

A That's correct.

Q And the amount of acceleration requested was an additional $50,000 payment for the month of January; is that correct?

A Yeah. I need to look at the records. I don't know whether they paid us 20 plus 50 or whether they paid us 50 instead of 20. I don't know.

Q Do you recall which it was?

A I don't. I can look at the records and tell you.

Q Why don't you do that. Was it 20 plus 50 or was it 50--

MR. FRYMAN: This appears to be the check that bounced.

BY MR. McGOUGH:

Q So it appears to be the 20 plus 50?

A Yes. The 50 was an accelerated payment.

Q Let me put this as directly as I can, and I realize we are talking about conversations that were all occurring at or about the same time.

Did Mr. Miller, in substance, ever come back to you and say before I accelerate or agree to accelerate your payments, Mr. Channell needs to know whether you and Mr. Fischer feel that you can schedule four presidential meetings over the course of the next four months?

A I honestly do not remember ever hearing that from Mr. Miller.

Q Or anything to that effect?

A No. We had endless requests, endless requests from Mr. Miller for the type of briefing we set up and Mr. Fischer set up in January, for more of those. And obviously any time they can get the President at a function, what a plus for Mr. Miller and for his client.

I don't--those were common conversations that we had regularly all of the time.

Q Do you ever recall him presenting it as four presidential meetings in the space of four months?

A I don't remember. I mean, we talked about different numbers of presidential meetings.

Q What numbers did you talk about?

A I have no idea. I don't recall whether we talked about it--can we do two meetings in February, is it possible to do three meetings the same month, you know, how far ahead can we schedule a meeting like this, how much notice do we need to give somebody if we want to get them into town--typical types of logistical questions and scheduling questions you would ask if you were undertaking that kind of an assignment.

Q And these conversations--am I inferring correctly, these conversations took place at or about the same time you were discussing acceleration of your fee?

A We discussed the acceleration of the fee in January. If you're asking me whether we would call a meeting and say the sole purpose of this meeting is to discuss this--

. Q No. I understand that. I'm not that naive.

. A --that wasn't the case.

. Q My question is, were these matters being discussed in or around the same time frame? And the matters are, one, scheduling presidential meetings and in particular how many presidential meetings can be discussed, and, number two, acceleration of payments under the consulting agreement.

. A I can tell you that--both of those things, both acceleration of payments and presidential meetings, were discussed in our meetings.

. I would be misrepresenting the truth if I told you I had a specific recollection about both of those things being mentioned within the scope of a single meeting or within the scope of two hours.

. Q But they were both mentioned in January 1986?

. A Unquestionably.

. Q To your knowledge, does Mr. Fischer know Ron Piccini?

. A I have introduced them, sure.

. Q And on how many occasions? Are they just passing acquaintances or--

. A Just passing acquaintances. Mr. Fischer probably met Mr. Piccini at my house on a weekend.

MR. McGOUGH: I think that is all I have.

MR. OLIVER: I will try to be brief. I just wanted to ask a few questions relating to some of the answers you gave to Mr. Fryman, to clarify some matters.

BY MR. OLIVER:

Q You said that you gave political advice to IBC, as well as business advice and advice on projects and that sort of thing; is that correct?

A That's generally correct.

Q Is your political experience limited to the two Reagan campaigns for president?

A My--in terms of my acting in a full-time capacity, yes.

Q Were you considered an insider in the Reagan campaign because of your early activities and your longevity with the campaign?

A An insider meaning what? I'm not sure.

Q I mean someone who is on the inner circle of the campaign. You mentioned there were 7:30 meetings and you were one of the people who attended those meetings on a regular basis.

A I certainly had relationships with several senior people around Mr. Reagan, had been around myself since 1976 and was fortunate enough to have been included in those 7:30 meetings. So if that's the definition of an insider.

somebody in an inside circle, I was that.

. Q You've indicated that you were asked by Mr. Tyson or Mr. Meese to come up from San Diego to set up a national advance organization; is that correct?

. A Right.

. Q Was that at the beginning of the 1980 campaign?

. A Yes.

. Q So that really would have been in 1979.

. A I'm not sure of the date. Could have been '79.

. Q Well, it was before Mr. Reagan announced for president; is that correct? I mean, there would have been an exploratory period and a lot of things building up to the announcement of his campaign.

. A I tell you, I don't know the date. I don't know--it was very early on. We did not have a national advance team put together.

. Q Did you travel on some of these advanced activities yourself?

. A I think only on one or two until a pre-convention. I remember one trip to Denver.

. Q Did you ever go to Iowa?

. A This is in 1979, '80?

. Q 1980 Iowa caucus would have been held.

. A I don't think so.

. Q But you remember the Iowa caucus in which Mr. Bush defeated Mr. Reagan. That was a traumatic moment for the campaign.

A Yes.

I don't believe I was there.

Q But you were full time on the campaign at that point?

A I believe so, but I need to check the dates here to make sure I'm right about this, because I might have--

Q Did you ever go to New Hampshire?

A No.

Q You were full time in the campaign by the time of the New Hampshire primary, when Mr. Reagan won that primary?

A I believe so.

Q Isn't it the case that right about the time in the New Hampshire primary that Mr. Sears was fired and Mr. Casey was named as campaign manager--

A That's correct.

Q So that would have been March of 1980. Then full time in the campaign from then until November 4th; is that correct?

A That's correct.

Q When you came to Washington in--after the convention in Detroit, you indicated that you were the deputy director for logistics and scheduling; is that correct?

A I think my title was deputy director in scheduling advance operations.

Q Who asked you to take over that job?

A Mr. Tyson.

Q Was it also Mr. Tyson who asked you to be the head of logistics for the convention in Detroit?

A Yes.

Q You also indicated that you had brought a debate consultant from Virginia into the campaign; is that correct?

A Although I'm not sure that Mr. Miles Martel was from Virginia. I'm not sure where he was from.

Q Why were you bringing a debate consultant into the campaign?

A I was just--was a matter of interest to me. I was concerned that we get an early start, a head start on the debates, and everybody was real busy and didn't have time to focus on it, and I took it on myself to start looking into it and had an opportunity to have discussions with some people I consider to be knowledgeable and they, among other things, recommended Mr. Martel, and I then looked into his credentials and was impressed and made the recommendation. It was out of my role.

Q And you said you went to Bill Timmonds and Stu Spencer regarding that debate?

A That's correct.

Q And the purpose of that was to persuade them that something needed to be done about debate preparation?

A They had two purposes. One was I wanted to get a response from Bill Timmonds and Mr. Spencer to see if they agree with my assessment that this was a good time to get started.

I wanted to let them know what I had collected and got done already and was trying to enlist them to spearhead this, because I alone couldn't have catalyzed an early operation, debate operation, and I think I was partially successful.

Q And you said earlier you remember two important meetings with Bill Casey, one of which he called you and asked you to come up and talk about the debate.

A They were important to me because I remember them.

The first meeting was one in which I guess after either Bill Timmonds or Stu Spencer called Mr. Casey and told him that--discussed the debates and said Marty Artiano has collected all this stuff and he's interested, and Mr. Casey called me up to his office to explore it with me, and he said who have you spoken to and all, and I shared it with him, and, okay, okay, fine, I'll address this meeting, and so it was immediately out of my hands.

It became a meeting that Mr. Casey and Jim Baker--

Q What were those materials you collected?

A Materials of public record, briefing books that had been prepared, for example, for President Ford that are now at the library. I believe I even had some from Mr. Carter's campaign in '76. Different periodicals that I had researched.

Q Did you have any briefing material that was prepared for Mr. Carter's 1980 campaign?

A No.

Q Were you aware of the briefing materials from Mr. Carter's campaign that came into the possession of Mr. Casey?

A No.

Q You didn't read about that?

A Well, I mean I was aware after the fact.

Q But you didn't know anything about it at that time?

A No.

Q You said that Bill Timmonds had introduced you to Elliott Abrams, to your recollection?

A I think that's possible, yeah.

Q That was during the campaign?

A I think so.

Q Was Mr. Abrams involved in the campaign?

A You know, I haven't spoken a lot to Mr. Abrams about that, ironically. I think that--I believe he was helping us in one of the campaign areas at the time, and I can't even remember what, whether he was working on the

Jewish vote or what exactly he was doing. But I know that he had volunteered his services and was doing everything he could, and Mr. Timmonds thought highly of him.

Q He was a Democrat at that time, wasn't he?

A This was after his change of heart.

Q You couldn't remember all of the names of the people who were on the transition team Ed Folder and Frank Shakespeare headed. Was Ken Adleman on that team?

A Mr. Adleman might have been but I don't recall.

I should, just for purposes of putting this in perspective, let you know when I got to Washington I couldn't find my way from election headquarters to the White House. These names didn't mean much to me and I was kind of scrambling around on my own.

Q You said that in late November or early December 1985 you got a call from Rich Miller indicating that he needed some help with his organization and that they wanted a high-level fellow with Washington experience.

Would you consider yourself someone with Washington experience of the kind that he needed at that point?

A I think I probably--if you evaluate my experience and credentials, they fit some of the criteria that he was looking for.

Q And had Dave Fischer had any Washington experience before he came to the White House to work as a personal assistant to the President?

. A Not to my knowledge.

. Q Had he been involved in any Washington activities or politics or Government besides that job?

. A He had been involved, I believe, with Senator Hatch prior to--I believe with Mr. Hatch, but I'm not sure. He had some political experience prior to 1975, prior to 1975--prior to hooking on with Mr. Reagan, or between '76 and '79, although I think the former is correct.

. Q So you felt that the experience that you and Dave Fischer had had in Washington fit the bill for what Rich Manna wanted?

. A I think the cumulation of our experience--you know, when you're handling scheduling in advance for the President of the United States, you're an image-maker.

. The answer is yes.

. Q Did you--how soon after you talked to Mr. Miller did you and Mr. Fischer meet with Mr. Channell and Mr. Conrad and Mr. Miller?

. A I can't tell you exactly. It was shortly thereafter, within a couple of weeks, I would guess.

. Q So it was in December of 1985?

. A Yes, I believe it was in December of 1985.

. Q And at that meeting did you discuss the arrangements for you services?

A At a meeting with Mr. Fischer present and Mr. Channell present?

Q Yes.

A I don't recall. Wouldn't surprise me if we did. Our negotiations were with Mr. Miller.

Q They were not with Mr. Channell and Mr. Conrad present at a meeting?

A No. As I said, they may very well have been present at those initial discussions.

Q And did you discuss directly with Channell and Conrad what the arrangements would be, what services you were going to provide?

A Well, you know, the services we were going to provide were as I've described them. There was never any question in anybody's mind, from start to finish, that Mr. Fischer and I were going to be working for IBC.

We also were made aware very early on that Mr. Channell's organizations were a big client of IBC and the thing needed the first thrust here.

Q Well, isn't it a fact, Mr. Artiano, that the exact amounts of money that were paid to you by IBC were paid to them by Spitz Channell?

A I will give you a specific answer to that question.

Answer number one, I have no idea, none, how much money was paid from Mr. Channell or any of his organizations or anybody else, or any other client, to IBC. I have never looked or had access to any of the books of all those organizations.

Number two, wouldn't surprise me at all if Mr. Miller, to fund this obligation to Mr. Fischer and I which he had undertaken and which we proceeded on in good faith without a written agreement, was funded in large part--and perhaps getting into a hole--by Mr. Channell. I don't know that to be a fact; I was not present in those discussions.

Q Well, the reason I was asking questions about whether Mr. Channell and Mr. Conrad were present with you and Mr. Fischer and Mr. Miller when you were discussing your services would be to--if your contract was with IBC, why would Mr. Channell and Mr. Conrad be present at those negotiations?

A If Mr. Miller chose to discuss that matter in front of one of his clients, it frankly didn't concern Mr. Fischer and I.

Q You were not aware that IBC was billing Mr. Channell for the fees, exact amounts of fees that you and Dave Fischer were receiving?

A No.

Q You were never made aware of that?

A No. But as I have indicated--no.

Q And you had nothing in writing with IBC, no contract, no letters of agreement of any kind.

MR. MEEHAN: Describe that. August, June or July letter of 1976.

MR. OLIVER: I'm talking about prior to that time, December, January, February period.

THE WITNESS: No, sir.

BY MR. OLIVER:

Q Did it concern you or Mr. Fischer that you didn't have some kind of an agreement because you wanted a long-term arrangement, not just something that would be cut off? Did you ever ask for something in writing?

A No, sir.

Q Was the lunch that you arranged with Elliott Abrams--did that take place on or about January 6, 1986?

A I don't know, and I'd be surprised if it occurred that early, but it may have.

MR. MEEHAN: Is it on the calendar?

MR. OLIVER: I don't know if it is on his calendar or not.

BY MR. OLIVER:

Q Were you aware at the time of the luncheon that Mr. Fischer had begun to try to make arrangements with the White House for a briefing for Spitz Channell's organizations?

A I don't remember the time frame so I can't give you an answer to that question.

I think I was aware--whenever Mr. Fischer had started that, attempting to get that accomplished, I was aware of it.

Q Was there a discussion at that luncheon of the Central American Freedom Program?

A Of NEPL's program.

Q Essentially what they call the Central American Freedom Program.

A As I indicated, Mr. Channell went through all of his organizations and activities.

Q Did they show story boards of the ads to Mr. Abrams at that luncheon with text and so on?

A You know, I don't recall. I honestly don't recall the luncheon that well. I mean, I recall being there and I recall Mr. Channell did most of the talking, and it's possible that they had some paperwork or story boards, but I don't remember it. I'm sorry.

Q Were you aware that one of Mr. Channell's projects, the one that I described as Central American Freedom Program, was directed toward influencing the congressional vote on aid to the contras?

A My understanding of what Mr. Channell was trying to do was to raise grassroots support for the President's program through his media campaign.

Q Was there ever any discussion in your presence of running those ads in particular congressional districts?

A I remember being around, although I didn't--I remember discussions about where certain ads should run and about demographics. That was less my area of expertise, so I don't have real strong recollection about any of that.

Q Do you know a woman named Eddie Frazier?

A No, sir.

Q Did you ever meet her?

A If I did, didn't strike me, I guess, because I don't remember the name.

Q Jack Lichtenstein?

A Drawing a blank.

Q Bruce Cameran?

A No, sir.

Q Penn Kimble?

A I don't believe so.

Q Did you ever attend any meetings in Rich Miller's office to discuss strategy on the vote that was to take place in the Congress on contra aid?

A To discuss strategy on the vote? I don't--I don't know. I mean, we talked about the vote all the time. While it was immediately before the vote, it was a matter of concern to us, obviously. We were hoping that it was going to go forward and I don't remember having a strategy meeting about it.

. Q Who did you discuss that with?

. A Oh, with Dave, with Rich. It was obviously a matter that we were interested in.

. Q Do you know Dan Kuykendall?

. A I don't. I don't think I know him. I know the name but I don't think I know him.

. Q These papers and brochures that you said you reviewed or helped prepare for IBC, did you retain any copies of those?

. A No. I had--the answer is no. I had--what I had at my house--when Dave moved out of my house into his house, kind of packed up everything, and I would guess that what wasn't packed up I tossed.

. Q When was that? When did Dave--

. A January.

. Q January of this year?

. A December or January, yeah, December of '86 or January of '87--yeah.

. Q That's your recollection, you threw those materials away?

. A I don't have any recollection. If there was anything left after Dave moved out, it is not there now, because I've taken a look.

. Q Did you say that Mr. Fischer came to Washington every week during 1987?

A I would guess 95 percent of the time.

Q Was he still employed in Utah at that time?

A No. He had some kind of arrangement, but he was not employed with Hudson Chemical at that point. He may have had some continuing relationship afterwards.

Q Why was--at the meeting which you arranged in Elliott Abrams' office, why was Elliott Abrams upset with Spitz Channell?

A You know, because he was very excited and wouldn't let anybody else get a word in edgewise and was kind of not listening to an attempt to answer him. It was--

Q Was there a discussion at the luncheon which took place in January of--of the arrangements for a meeting in the White House later on that month, the meeting with Abrams and Fischer and you and Miller and Channell?

A Could you repeat the question? I'm sorry.

Q You arranged a luncheon with Elliott Abrams for Spitz Channell attended by you and David Fischer, Elliott Abrams, Rich Miller.

Was there a discussion at that luncheon about the prospective White House meeting?

A I have no recollection. I'm sorry.

Q Was there a discussion there about Mr. Abrams' participation in such a White House briefing?

A I also don't recall that.

. Q Did you have any discussion with Rich Miller or Spitz Channell in December or January this year about your arrangements with them during the prior year for financial payments to you and Fischer?

. A I'm sorry, repeat the question.

. . Q Did you have any discussions with Spitz Channell or Rich Miller in December of 1986 or January of 1987 about the financial arrangements which had been made for you and David Fischer with them during 1986?

. A Well, unless I'm--unless I've blocked something out of my mind, I haven't seen--didn't see Mr. Channell at all in that time period.

. Q What about Rich Miller?

. A I don't know. I certainly must have spoken to him during that time period. I don't know--that I had any specific discussion about the financial arrangement?

. Q Yes.

. A Between IBC and Fischer and myself?

. Q Yes. Were you aware that Rich Miller had been asked by Spitz Channell to reconstruct the relationship between IBC and Spitz Channell's organization in relation to what the money they had given them had been spent for?

. A No.

. Q Did you have a discussion with Rich Miller about the payments to you from IBC in January of 1987, about the previous payments?

A I guess my best answer to that is I certainly spoke to Rich--I'm sure I spoke to Rich during that period of time. I don't even know if that was the subject of the conversation. If it was, I don't recall it.

MR. OLIVER: Thank you very much. I have no further questions.

MR. BUCK: I have a few short questions for you, Mr. Artiano.

BY MR. BUCK:

Q To the best of your knowledge, did anyone in the White House, any employees in the White House, including the President himself, receive any money from Mr. Miller's organizations--Mr. Miller or his organizations, Mr. Channell or his organizations, yourself and Mr. Fischer--for the meetings that were set up with these private contributors?

A Absolutely not.

Q Do you know any reason why Mr. Channell would believe that he was paying Mr. Miller $50,000 for you or Mr. Fischer or Mr. Miller to set up meetings within the White House?

A As I indicated, I don't--I don't have any--never had any access to their books and didn't know what their financial relationship was. But, you know, it would not surprise me if Mr. Miller were making requests so that he could get funded at IBC to honor his obligations to Mr. Fischer and to me.

Q Did you consider Mr. Channell politically naive when you--before that January meeting when you had to discuss with him the fact that you were not arranging meetings with the President for a set amount of money?

A Restate the question. I'm sorry.

MR. MEEHAN: I think the meeting was not in January, but if you just refer to ''the meeting'' without a time frame--

MR. BUCK: Okay.

BY MR. BUCK:

Q I guess what I am trying to understand is why Mr. Channell had this belief that you had to dispel at the meeting, and if it wasn't anything you told him or anything that Mr. Fischer told him or that you knew that Mr. Fischer told him, was it just because he didn't understand how things worked?

A I suppose it was a misunderstanding of the relationship. As has been indicated, the relationship was never formalized in terms of putting it in writing. It was constantly in a state of flux. There were continued discussions and negotiations about it, the timing of payment, amount of payment, and I guess it was--the generous explanation is that there was just misunderstanding. But there was no misunderstanding by myself or Mr. Fischer, and I trust not by Mr. Miller either.

. Q Okay.

. Did you read a New York Times article on July 30th, 1987, on page 10 of the New York Times, written by Richard L. Berke?

. A I'm sorry to say that I did.

. Q The sources identified in this article are your lawyer and other officials, and I believe when it refers to your lawyer, it is actually referring to a law partner of yours.

. A That's correct.

. Q And I'd like to read a statement here and get your reaction to it.

. Midway down the first column it says, Mr. Artiano and Mr. Fischer each received about $300,000 last year for arranging meetings between the President and wealthy conservative donors, the officials said.

. First of all, let me ask you, is that statement correct?

. A No.

. Q Second of all, did you tell Mr. Berke anything that would lead him--that would give him information to write that?

. A No. I refused to speak to Mr. Berke when he tried to reach me.

Q Have you talked to your law partner that did speak to him on this subject?

A Yes, I have.

Q Is it your understanding that your law partner gave Mr. Berke any information that would allow him to write something like this?

A Absolutely not.

Q Do you have any suspicions as to where that information may have come from, if you or your law partner did not tell this reporter that information?

A I have--I don't have a firm enough idea of where it came from to want to accuse somebody of doing something like that. We regret it and, as Mr. Meehan indicated, I hope it doesn't happen again.

MR. BUCK: I have no more questions.

MR. MEEHAN: We did get through.

MR. FRYMAN: Yes.

We will conclude the deposition at this point, in accordance with the understanding that was stated earlier between Mr. Meehan and me.

[Whereupon, at 5:40 p.m. the deposition was concluded.]

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EXAMINATION

BY MR. KERR:

Q Would you state your full name for the record, please.

A [redacted]

Q What position do you hold with the Central Intelligence Agency at the present time?

A I'm The Associate Deputy Director for Operations.

Q You joined the Central Intelligence Agency when?

A [redacted]

Q Would you trace chronologically your career with the Central Intelligence Agency?

A [redacted]

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[redacted]

Q Is that April of 1986?

A That's correct. And then I moved up to the Associate Deputy Director for Operations job.

Q At that time you would have taken what had been Mr. Juchniewicz's position?

A That is correct. [redacted]

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[redacted]

Q And [redacted] remained in the Deputy position until he succeeded you in April of 1986.

A That's right. The first of May, actually, end of April. That's correct.

Q With regard to the way you handled duties as between yourself and your Deputy, can you give me kind of an overview of the allocation of responsibilities between yourself and your Deputy?

A Well, I have always taken the approach that the Deputy has to be one's alter ego as far as being made aware of, being brought in, ~~in~~ and totally interchangeable sort of duties. In the press of work, particularly in an area like the Near East and South Asia [redacted]

[redacted] and all these things, you tend somewhat to specialize if, you know, if you're off for a weekend, or you're on the seventh floor, or you're out down here in a hearing and something comes up, and the Deputy begins to handle it, then perhaps he remains more or less the expert on it because he talked to the people first. ~~Uh,~~ There is no sharp division, though, unless it was something that--for instance, [redacted] I probably carried 90% of the load on that issue, which was one of our largest and required a lot of effort and decisions and a lot of hearings down here on the Hill. So I suppose I sort of specialized on [redacted] Other than that, since [redacted]. I suppose I tended to push things having to do with the Arabs, particularly those ~~[inaudible]~~ that went a little bit more his way. But basically there was a fairly even distribution.

Q During the course of your tenure as Chief of Division, were there any projects as to which you compartmented out [redacted]

A No, not that I recall. I mean, you can compartment things for security, and you do a lot of that, but you don't compartment your Deputy out, unless it's maybe a personnel matter that might come up briefly that needs to be resolved and can't be spread around.

Q But you do not recall any projects that you were engaged in as Chief of the Near East Division when, for security reasons, you kept [redacted] out of that project.

A No, I do not recall any.

Q [redacted] has indicated that, for all intents and purposes he kept himself informed of the same matters that you would be keeping yourself informed of. Is that essentially the way?

A Essentially, yes. That's right. Not perhaps in as much detail, since if you don't speak the language, maybe you don't deal with [redacted]

Q With regard to some of the people that are involved in our inquiry, can you tell me when you first came to meet Col.nel Oliver North?

A Probably, I don't remember exactly, but it would have been sometime, I think a couple of months after I was on the job. So sometime in October, late October maybe, 1984. Because I remember we had a problem dealing with terrorism in Lebanon, and he took a great interest in the terrorist issue, and I believe that was my first encounter with him.

Q Now that would have been on a working basis?

A On a working basis, having to do with a possible activity, uh, counter-terrorist activity.

Q At that time, were you aware that Colonel North was engaged in, for lack of a better expression, operational activity?

A Not in the intelligence and security sense. I was aware, of course that he had played a role in the Grenada operation and that sort of thing, but,

Q No, I'm thinking of operations in the classic sense.

A No.

Q When did that first come to your attention that Colonel North was going to play or was playing an operational role with regard to intelligence matters?

A Well, let me think. I suppose it would probably have been around the time of the Achille Lauro incident.

Q That would have been early October 1985.

A That's right, I suppose. I wasn't in the country then, but when I got back, I heard, you know, what the dealings were with the Israelis, and how the matter had been handled out of the White House rather than out of State or the Agency, and that.

Q I'll come back to that in a moment. Were you aware prior to that time of an operational role that Colonel North had with regard to Nicaragua-Contra related activities?

A What I was aware of, and what generally sort of seeped around town, I suppose, is that the whole private benefactor activity and private Amerian, private money, volunteers, I don't know what. Whoever had things to do with helping the Contras when we were not, [redacted] that Ollie was certainly one of the leading persons in the White House involved in encouraging, going around making speeches, basically encouraging, I suppose, people to make contributions to support the Contras during that period.

Q What was the source of your knowledge about that. Is that basically read the newspapers?

A Sort of osmosis and read the newspapers, and then I remember at one point, well, the committee staffers would make remarks about this or ask a question, or, and I know it got things raised to the point that I believe Bud McFarlane came down and talked to one or both the Oversight Committees. I don't know that, I remember that happening. So it was sort of the general knowledge around town that this was going on and that there were other people involved in it with him, perhaps more directly.

Q Did you ever have occasion to talk with Col. North directly about his activities relating to the Nicararaguan Contras, or indirectly, in passing, any conversation?

A Only indirectly in the sense that I remember a couple of times a terrorist incident would come up in the

Middle East and there would be, you know, perhaps something going to happen over a weekend, and I suppose the first direct sort of knowledge was when he told me, "You can reach me on the White House number and they will know where I am and I'll call you, but I'm going to be down South," and 'down South' obviously in the context he said it didn't mean down in North Carolina or South Carolina. And, in fact, as I recall, there was something that came up and I called, and he called me either from the Miami or the Atlanta airport. Apparently, he had called the White House and they would say [redacted] gone and said call him at home. So I knew that he was travelling down there, but I did not have--I don't ever recall any direct knowledge of any particular activity, or him describing it to me, or ever having knowledge of it.

Q This telephone exchange relating to him being 'down South,' approximately when in time did that take place?

A Well, there was always something happening in Beirut on the weekend. It would have been sometime in probably that winter of '84 or '85. I don't have a good memory of that, but I know that he took more than one trip, because a lot of times something would come up--a terrorist incident--he usually came and sat on this working group, and he wouldn't be there, and someone would say, "Well, he's off on a trip and he'll be back. He was always on the go, and a lot of it, to the South.

Q Your phone number appears in Colonel North's collection of telephone numbers, indicating that he must have called you or spoken with you with some regularity. How frequently were you in touch with Colonel North in the '84 - '85 period, before the time he left ~~as, ehh.~~?

A It moved in spurts. I'd say in the summer of '85 at the time of the TWA highjacking probably there were a lot of calls over a weekend. [redacted] I may get three or four calls on a weekend, but I might not deal with Ollie for a month or two months or even three months, other than bump into him at some meeting. So it was very much a function of the activity that might come up.

Q As between yourself and [redacted] was there any distinction drawn between you in terms of who would be taking care of Colonel North?

A No, I'd say not until the finding of January of last year, when we began to work more intimately on ~~the~~ a specific project, namely, this Iran arms — —

Q That would be the January 17, 1986 memo.

A That's right.

Q And at that point, uh, was there an allocation of roles assigned between you and [redacted]

A Well, by virtue of the--I need to tell you what happened, the way it worked. I was there as Division Chief. I left on a trip [redacted] and when I got back [redacted] in the office, and I had had foreknowledge before I left that there was something cooking in terms of the White House NSC trying to work out a deal with the Israelis and involving some other people, but I didn't know there was going to be a finding. And when I got back, I was told the finding had been signed and that Clair and [redacted] had gone down to read it, that our role was one of logistics, financial, sort of intelligence support, and that things had moved to the point that, you know, we were dealing with the military about some weapons and so forth. Since [redacted] was so deeply involved in this at that point, that largely became his baby. In fact, the last, I suppose, three months of my tenure in NE Division, that's when the balance shifted perhaps, and I suppose, [redacted] spent, ah well, he still certainly performed his role as Deputy, but I suppose he spent, gee whiz, some weeks a hundred percent of his time on this, and other times, I don't know, fifty-sixty percent. So, in that sense, there was a role division the last three, three-and-a-half months.

Q Your involvement from that point on would have been nominal, relatively nominal. You were keeping posted. What would you describe it...

A Keeping posted. [redacted] came to me at times and said, "Look, there are going to be a lot of details here that I, [redacted] can't handle because it's homework. It's calling the military trying to figure out which serial numbers match what, and what is it these people are talking about because it gets one list or request and then you get another one." So, he said, "I'll need to bring [redacted] in on it." So, since [redacted] had been peripherally in on it interviewing this fellow Ghorbanifar earlier. And so we got [redacted] in on it. I think maybe he brought someone else on it at some point, but I was aware of that, but I was generally briefed on it. That's right.

I did encounter Ollie after that--Oliver North on other issues.

Q I'll return to that in more detail a little later. With regard to your trip of [redacted] you were on a trip with Director Casey?

A Part of the time. I rende~~s~~zvoused with Director Casey in [redacted] came back [redacted] with him.

Q I'll return to that in chronological sequence. With regard to Director Casey, can you tell me when you first came to meet or know Director Casey.

A Well, I met him when he took over from Stan Turner in 1981. I was still at Headquarters [redacted]

Q You did not know him before he became Director.

A No. ~~[Pause. No audible answer.]~~

Q Can you describe your relationship with the Director prior to the time that you became Chief of the Near East Division, in terms of the working relationship. How often you dealt with him, those kinds of things?

[redacted] And that's about it before I took over as Chief NE.

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Q After you took over as Chief of the Near East Division, can you describe for me the extent to which you would have been in contact directly with Casey?

A Well, it varied. On [redacted], which he took an intense interest, there would be a tremendous burst of activity. You'd be getting ready to go on a trip, in fact, we went on a trip [redacted] and I suppose that's when I really got to know him, travelling on an airplane with him, and dealing with him on that issue sort of non-stop, pressure cooker, which was his approach to things, for three, four days. And so I got to know him pretty well. ¶ He was always interested in the hostage issue, the fate of those in Lebanon. [redacted] But, a Division Chief, I mean, in the Near East being a very active area, he was always calling with questions. So I suppose I saw him--it was rare that I didn't see him once or twice a week.

Q During the course of that experience, on that or any other time, did you get any sense of his relationship

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with Colonel North?

A Well, I knew he talked to him on the phone. I didn't get any sense of any personal relationship. He admired Ollie's 'can do' attitude. I'd say that. A proactive approach to life, which is exactly what Bill Casey had.

Q Did you have any sense of the frequency with which North and Casey were meeting.

A No.

Q You were or were not aware that they would meet for breakfast on weekends and that sort of thing?

A I was not aware of that. Usually when I heard about it was when Bill had gone down to the White House to see Poindexter or somebody, and he would say, "While I was down there, I saw Ollie and this happened or that happened."

Q On how many occasions did you travel [redacted] with the Director?

[redacted]

Q With regard to [redacted] trip, who accompanied you and Director Casey on that trip? Who else was with you? When you went to [redacted]

A [redacted] who was one of the staff people up there on the seventh floor [redacted] Then the security people and that's all I recall.

Q Did you have any knowledge of discussions that Casey or anyone else in the group had with [redacted] about contributing money for the benefit of the Nicaraguan Contras.

A No.

Q So there were no meetings that you attended on that trip where that topic was discussed? [~~inaudible~~].

A That's correct.

[redacted]

[redacted]

Q Well, that's one of the topics I wanted to touch on with you. There is a reference in a McMahon note to what may be a suggestion that Casey was going [redacted] [redacted] to ask [redacted] a contribution to the Nicaraguan-Contras. Were you aware of any such?

A No.

Q You're not.?

A No.

Q And again, when [redacted] you were not privy to any conversations in which contributions by [redacted] to the Nicaraguan Contras was discussed?

A That's correct.

Q Similarly, on the [redacted] trip, any discussions of [redacted] contributions to Nicaraguan Contras?

A No.

Q And you didn't hear any discussions taking place on that trip?

A That's right.

Q And on the [redacted] trip, any such discussions?

A No.

Q Did you ever acquire knowledge that Director Casey solicited funds from [redacted] [redacted] to benefit and assist the Nicaraguan Contras?

A No.

Q And you never discussed this matter with Mr. McMahon?

A No. ~~[Pause. No audible response.]~~

Q What was your relationship with McMahon? McMahon had been with the Agency for quite some time--had you had a chance to work with him?

A I had worked with him when he was Deputy Director for Operations. That's the first I ever heard of him [redacted] in 1978. He had been made DDO sometime earlier that year, and so the first time I ever even met McMahon was [redacted] [redacted] on or about July 1978. I think I had a good working relationship with him. I admired him. And we travelled together on a couple of occasions. [redacted]

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[redacted] But I never had any intimate, personal, family relationship.

Q So he was not a social acquaintance. It was a professional relationship. Alright, now let me turn to another interesting gentleman--Manucher Ghorbanifa, was the subject of concern in the Near East Division in 1984. Much of the concern would be generated shortly before you became Chief of the Division. Can you tell me the extent to which you were familiar with Manucher Ghorbanifar and the matters which caused the Agency to put out a burn notice on him in 1984?

A I think that burn notice was put out in August or so, [redacted] I don't recall seeing the burn notice at that time. When I was briefed generally, well, I was briefed specifically on the [redacted] and so forth as part of my Division, the [redacted] operations and threats and that sort of thing. You know, I suppose in that briefing probably there were half a dozen or more dirt balls of the fabricator variety that would pop up. And I had been dealing with [redacted] for years and years, and his name may have been mentioned at that time, because I do recall that it was somewhat familiar the following summer when it first popped up on the

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screen. And then somebody said, "Oh, he was a guy that, you know, he said there was a threat against the President and this and that. And so, I remember at that time it clicked. Of course, it may have been a generic thing, because there are lots of Iranians. But I was not familiar with those specific events, but I did hear about them later, the things that had caused the burn notice to be issued.

Q Just so I'm clear. The decision to put out the burn notice and the inquiry that gave rise to it all preceded your taking the position?

A ~~Yeah~~ Yes. I woudn't make the decision on the burn notice anyway. I mean, that wouldn't be approved by me.

Q That is a question I want to raise with you. I'm not quite sure how one gets a burn notice approved. What is the process on that?

[redacted] It wouldn't go up

to the Division Chief.

[redacted]

Q That's right. As to Ghorbanifar, did you know which category he fit in in late-1984?

A I didn't know at the time. No. But it's when I read the burn notice--it's pretty clear. The following summer, or whenever I read it, it's pretty clear that that was ~~he was.~~ what he fit into.

Q Give me your best recollection of how you would characterize him at that point. I read that burn notice, and I'm not as familiar with what you guys were looking for

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as you are. So what would that have told you about Ghorbanifar? Simply that he was a liar, or that he was a liar with a motive?

A A liar with a profit motive, probably. Although, sometimes it's not clear. I mean, I've run into dozens of fabricators, and some lie for the sake of lying; some lie for purposes of feathering their own nests and working out-- they're con men. ~~Uh,~~ And occasionally, there may be some idealogical motivation. But, that's very rare. But he's just, he's not an atypical Iranian bum who, you know, made his living as a police informant, Savak informant. Israelis. I'm sure he worked with the Israeli shipping companies. I recall back in the revolution days, and probably have been associated with the Israelis since that time.

Q Let me take you into the summer of 1985. At that point, June of 1985, you apparently were advised by Director Casey that he had been called by a gentleman named John Shaheen, who had that story to tell about Cyrus Hashemi and a program Hashemi had for releasing the hostages and releasing himself from prosecution. Do you recall that?

A Yeah, I recall that.

Q Can you tell me, and ~~you're free to [inaudible].~~ we will refer to documents in a moment

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but give me your best recollection of how this matter came to your attention in the summer of 1985?

A Shaheen, John Shaheen called Casey, which was not unusual. Shaheen was always calling Casey. They're old, they were old OSS buddies or something. Shaheen was born in the same town that Ronald Reagan was born in, I think. He's a very patriotic American. ~~Uh.~~ He had a lot of contacts. He was always giving Bill Casey hot tips on this or that fellow. And he'd call Casey, and then Casey sent me a note, as I recall, and it was well known what sort of fellow Hashemi was and what his motivation was, and I think he had been cut off once before ~~early~~ earlier on with some scheme, talking about ransom for the hostages. ¶ This time he claimed to have the contacts with the Iranians at some fairly high level, and I went to State. I told Casey, I said, "We won't approve this one this way dealing with this guy. If he's really in touch with someone who represents the Iranian Government or who's in the Iranian Government, then they ought to be, and they want to talk, then we ought to get State in on it and find out, you know, how we ought to handle it." ¶ I went to see either Dick Murphy or Arnie Raphael. I think I tried to see Dick Murphy, and then I may have seen his Deputy, ~~Arnie~~ Arnie Raphael. And we worked out, they worked out, we talked about it. They also knew about Cyrus Hashemi. I mean they had, you know, the burn notice I think had been run on him. I'm not sure of that. But, at least, somehow he'd come to their notice on one of these previous schemes. Maybe about the thing he'd been prosecuted for-- I guess illegal export, or something or other. ¶ And so, what they worked was through our Embassy [redacted] where he claimed to be able to--of course, these guys, fabricators or con men like Hashemi or Ghorbanifar, they always want to, they gotta do something right now-- The moment you hear, the guy's coming on Wednesday. So he claimed that he could produce an Iranian, very senior level importance, and join with me very quickly. ¶ So, State's position was, "We're always ready to listen, but we are not sure we want to go meet this guy." [redacted] because the mention of the Red Cross had been made since it involved hostages. [redacted] to agree to~~, you know~~, listen to what this senior Iranian has to say about Iran-U.S. relations and what influence they might bring to bear to get the hostages released. ¶ So that was set up, and a phone number was given I think to Hashemi to call and, of course, nothing ever happened. I mean, nobody ever showed up. However, his lawyer, who was Elliot Richardson, did call [redacted]-I don't remember whether I went out of town, had gone on leave, or was--somehow or other--oh, I know what happened. In order to get the details of this after Casey sent me the note, and I talked in general principles to either Dick Murphy and/or Arnie Raphael, [redacted] then went up to New York and talked to Shaheen to get the details, to get names an so forth. And he got the name of [redacted] who figured in later events of course, and the name Manucher, and that's a fairly common name, as I recall. I'm not 100% sure, but we fairly quickly established it was Manucher Ghorbanifar. Or likely to be him. Or maybe even Shaheen said, had his full name. But whatever it was, we talked with State, and the deal was set up that if [redacted] who was identified by us as a bona fide Iranian official at some level. I don't remember exactly the level, but fairly senior. If he showed up, the [redacted] would be happy to talk with him and listen to what he had to say about Iran-U.S. relations and the hostages, but that they would not see this guy, Manucher Ghorbanifar if he alone came along with Hashemi. And then, as I recall, since [redacted] had met Shaheen, that was probably why Elliot Richardson had called [redacted] on the phone one day and said he represented Cyrus Hashemi and he understood that something was being worked out with regard to nolle pros on this case against him, an[redacted]fended it off at arms length and said he would have to talk with somebody else, not me. It was obvious that Shaheen had given Hashemi [redacted] phone number, or he had given it to Elliot Richardson or somehow Elliot Richardson had gotten it.

Q I want to go back on a couple of things and show you some documents. With regard to his initial contact, did you have a meeting with Casey? Casey brought you in and told you John Shaheen has told me X, Y, and Z, that kind of thing, or did he just send you a memo?

A As I recall, he sent me a memo, and he may have been going someplace or, you know, he went out of town for the weekend a lot of times. I don't remember. He sent me a note, though. I remember that.

Q You had had other notes come from Casey by way of Shaheen, from Shaheen by way of Casey?

A I don't recall having any other notes. I recall Shaheen coming up with this or that or some other possible lead into information about the hostages, etc., etc.

Q Were you aware of Shaheen's relationship to a gentleman named Roy Furmark at that time?

A No.

Q You were not aware in the summer of 1985 that

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Furmark was a business associate of Shaheen's.

A. I never heard of Furmark until it was in the newspapers when I deer hunting at the ~~last~~ end of November, it was the first time I ever heard of Furmark.

Q Similarly, you were not aware that Furmark, Mr. Shaheen's business associate, was a partner of Manucher Ghorbanifar, Adnan Khashoggi and Mr. Hashemi in a venture to sell materials to Iran in the period January through August 1981?

A No.

Q During the course of these discussions, Ghorbanifar's business relationship with Furmark--the one with Hashemi and those people--it was not discussed at all?

A In the course of which discussions?

Q The discussions relating to what Casey told you in the June, July, August period. Let me give you a better question. In that period of time, June, July, August, was it brought to your attention that Ghorbanifar had a business relationship with Hashemi or Adnan Khashoggi?

A Not with Adnan Khashoggi, but since, no, but he had some sort of legitimate or otherwise business relationship, but an association was established, because Hashemi said this fellow [redacted] was coming, and the other guys name was Manucher. And we checked that, as I recall, so obviously

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there was a hook up between Hashemi and Manucher, which ought to be not surprising since they're both Iranian.

Q Was it ever explained to you how Shaheen came to come by this knowledge that Hashemi was interested in putting this deal together?

A Hashemi had told him this.

Q Did he tell you how it was that Shaheen would be in contact with Hashemi.

A I assume in the spot oil market or some other shady international business deal. But it didn't come to my attention specifically.

Q And it was not you that talked to Shaheen, but [redacted]

A That's correct. He went up to New York and got the details of this thing, as I recall, and I talked to State, and again, I think I went out of town, because I think [redacted] talked with Arnie Raphael or maybe with Dick Murphy--they were our counterparts at State--and confirmed that, okay, if there's some, if the people had something to say. And I talked with Casey once more about it at some point by saying, "Bill, this is the way to handle it. We don't want to get into all this 'Who shot John?' in dealing ~~and deal w~~ith these guys. If they come forward and have something legitimate, and this guy [redacted]." You see, the thing about Shaheen and other guys--they have a lot of contacts--and they come up and it would be a tantalizing sort of thing.

I mean, the idea was the guy has access here, and that would turn out to be true, and you needed, you had to explore, but you had to explore it, but you had to be very careful ~~it~~ how you did it, or you'd get involved with another fabricator or swindler, you know. Because the further you unravelled the thing the wormier it became. But, once in a while we'd have a contact that would make sense.

Q Did it come to your attention during this period of time that Mr. Ghorbanifar, as reported in his 201 file, once said that [redacted] was involved in the kidnapping of Mr. Buckley?

A I don't recall that.

Q Did [redacted] commit to writing what he learned in his interview with Mr. Shaheen?

A He committed to writing-- ~~uh~~, I don't know whether he did or not -- ~~I--~~I remember him later committing to writing sort of how the thing was being handled, and what, you know, once we talked with State and had the deal laid on that State would talk with [redacted] I remember [redacted] writing something saying, "I called Shaheen and told him this, ~~uh~~ that if Hashemi is serious and he can really produce these people, ~~and~~ that he should ~~I think~~ call this number, and they'll be met." And he also told Shaheen that, ~~uh~~, about the deal, [redacted] fine, Manucher alone, no because he had been proven to be a bad character and not worth dealing with. And so I remember ~~that~~ he wrote that down.

Q Do you recall apprising Mr. Casey of the fact that Manucher Ghorbanifar was indeed someone that Operations preferred not to deal with?

A Yes.

Q And you would have told him that approximately when, sometime in the June or July period?

A Yeah.

Q Would that have been in a face to face meeting?

A I don't recall. It might have been on the phone. It would have been sort of, "Hey, Bill, we have traces on this guy. He's a bum." That sort of thing.

Q Do you recall anybody else that would have been present when you related this to Mr. Casey?

A No, I don't recall relating it to him face to face.

Q I see. You do think it was conveyed to him?

A Oh, yes, because if Bill Casey got a lead on something from John Shaheen or anybody else, he didn't let go of it, and you didn't just forget about it. You responded and you explained to him the why and wherefore, and in this case, why it would have been a dumb idea to have done it otherwise.

Q Let me show you a memorandum dated June 17, 1985 from

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Mr. Casey, apparently to yourself which would be Exhibit I of your deposition. Would you review Exhibit I and tell me first if you recognize that document?

A I was talking about--

Q This would have been the initial memorandum from Casey to you relating his conversation with Shaheen.

A Shaheen, that's right. That's right.

Q And does this review of that document given you any further recollection on this initial phase of this that you haven't testified to.

A No, as I say, there was never any, you know, sort of [redacted] follow up. At least not as far as I know. I talked to State and it was a question of allegedly talking about a change in policy here, and the usual boiler plate of, you know, release the prisoners and provide weapons. They were always--the Iranians were always looking for weapons. It doesn't raise any additional inferences.

Q Okay. Now, in terms of following this along. This document is dated June 17, 1985. We have a document we have obtained from the State Department dated June 22, 1985, and I want to apologize for the wretched quality of the copy. State's copy machines aren't nearly as good as, uh--

A Is this a telegram [redacted] ~~uh--~~

Q ~~uh,~~ The first is a memorandum from Mr. Murphy to Mr. Armacost. The second is a cable to ~~Vaughn (sp?)~~ Bob.

A That would have been in ~~[inaudible]~~ follow-up to our conversation.

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Q What I'd like you to do is take a look at what would be Exhibit 2 and do the best you can to read the wretched quality and we'll see where that takes us just in terms of chronology.

A preliminary question will be whether or not you have seen this document before.

A I do not recall having seen it, but I recall the details of ~~the um~~, what is said in it. And I recall specifically that Mike Armacost approved this because I remember I made reference earlier to a note that [redacted] had written sort of summing up where we were going on this, and in that, I remember him saying that it had been Mike Armacost who had approved it, and they were sending another cable [redacted] as ~~to~~ follow up.

Q Murphy indicates in this memo that he, as he says, consulted urgently with Justice on June 20 ~~on~~ to learn Justice's reaction to the Hashemi proposal. Did you have any involvement in that meeting with Justice?

A No.

Q Did you have any knowledge of it.

A I had knowledge of it, but I recall that he did talk with him.

Q Do you know of anything in writing generated by Justice regarding the Hashemi proposal?

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A I wouldn't think there would have been because nobody was willing to offer a nolle pros on the basis of a promise by a guy like Hashemi.

Q Being it a habit of government agencies to block things out that I want to know about, I want to ask you about a block. They say, we suggested that we could ask the blank to send a professional to liste~~d~~n to the Iranian representative [redacted] next week. Do you have any idea who it was suggested should go [redacted] to listen to the Iranian official?

A I don't recall whether we offered, uh--it may well be CIA~~, since he~~ sent somebody who would speak Farsi, and he would--

Q That would be my guess, and so I'm asking.

A I don't know for sure. It could well be because we probably would have offered that as long as State had approved it.

Q All right.

A It's just that we wouldn't have wanted to go out on a limb dealing directly with these guys.

Q ~~Uh,~~ There's a reference in the last paragraph that I want to pursue. It says, "Finally, Bill Casey is anxious to move ahead on this proposal. I suggest you call him to say we are urgently, I think it's considering or working on the issue, and we'll be back to him as soon as possible. We have passed the same message to and the reference appears to be to you. So you were in touch with State on this matter.

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A With Murphy and/or Raphael. I don't recall. They were very careful. Yes, I remember. 'Cause I put a fair amount of, you know, Casey got the tip from Shaheen, and he's talking, and he runs into [redacted] and you know, he goes to Long Island for the weekend and will see 14 more people, and you want to get this thing under control and in the right channel before, you know, there's some other angle that we have to send somebody out to talk [redacted] about something that's probably not going to amount to anything. So, I probably said "Bill's personally interested." But he may have called, well he talked to [redacted] so maybe [redacted] talked to, uh--

Q Did you perceive Casey to be very anxious or particularly interested in this suggestion by Shaheen?

A No more so than other similar sorts of hot leads that he'd come in on Monday morning and start ~~[inaudible]~~ spewing out people to follow up on. I mean, yes, he was interested and, it had to do with the hostages. ~~th.~~ At that point, we did not know Bill Buckley was dead, and in fact, we thought he was still alive [redacted] again through one of these contacts that Casey makes that leads to something.

[redacted]

[redacted]

A [redacted]

Q In any event, as of late June 1985, you had not reached the conclusion that Buckley was dead.

A Absolutely not. That's right.

Q And it was your perception ~~that that~~ within the Agency, at the top levels where you were, that that perception also was not the official perception. Is that right? You thought Buckley might still be alive?

A At that point, yes. [redacted]

Q Yes. Do you have any recollection of any discussions with Charles Allen during this period of time, June 1985, regarding whether or not Buckley was dead or alive?

A No. I don't recall it.

Q You don't have a recollection of his view about whether or not Buckley was dead or alive as of June of 1985.

A No. No I don't.

Q Let me show you a couple more documents. These are

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documents that came from Ghorbanifar's 201 file. They are documents from the Central Intelligence Agency, and they are documents for which I have great hopes of someday being able to read the entire text. Let me show you a cable dated July 9, 1985, which had previously been marked as Allen Exhibit 3, a typewritten message to Arnie from Peter, dated July 11, 1985, which is Allen Exhibit 4,

A To Arnie from Peter?

Q Yes sir. And a cable dated July 12, 1985, which is Allen Exhibit 5. What I would like you to do is read these documents and tell me first if you recall having seen them at or about the time of their date. First, with regard to these documents, would you have seen them at or about the time of their date?

A Not necessarily. Something like this would probably have been brought to my attention. I don't recall having seen--I don't know what this document is.

Q I was hoping you would be able to help me out with that, [redacted] Do you know an Arnie or a Peter?

A I know Arnie Raphael. And since they have--uh, Peter, Peter, Peter, Peter, Peter Burleigh ~~Bolle (sp?)~~ from the State Department? I wonder, did this come from us or from State?

Q It came from CIA.

A It was in Ghorbanifar's file?

Q It was in Ghorbanifar's 201 file. ~~[said simultaneously with~~

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[redacted]

A And somebody's written ~~see~~ docu the ~~crypten-in~~ cryptonym that we use for him, but uh--

Q By that you mean the [redacted]

A Yes. Update on the Hashemi as of last night Deputy Chief CIA was still negative about the two names offered. This sounds as if it was written outside of CIA. In other words, we were closely in touch. [redacted] or the PMs office and Manucher Intell Office, it turns out he was a fabricator with detailed knowledge of [redacted] our only knowledge of [redacted] in the biographic files, see that's State phraseology. That's not Agency. I can swear to that. It sounds like they're referring to their own reporting.

Q Right. That's very possible.

A The other cables may or may not have come to my attention. Probably the fact of their existence would have been gotten to my attention.

Q Exhibit 3 was issued by the [redacted] it that right?

A [redacted] That's right, yeah.

Q [redacted] is whom?

A It's somebody on the [redacted] Gee, I don't recall who that ~~had~~ would have been. That's probably some--that's a person who read the cable. It may have been an intell assistant or whatever.

Q Okay. The authority for the cable would be yourself.

Correct?

A Right.

Q Would that mean that you would have read it? ~~Not necessarily?~~

A Not necessarily. Cables can be released down at the [redacted] level.

Q All right. The cable is being sent to [redacted] to the [redacted] that handled terrorists?

A No, this is the [redacted]

Q I'm sorry.

A

Q All right. And essentially what the cable, which is Allen Exhibit 3, is asking for is additional information on [redacted] and Ghorbanifar, is that correct? Or Manucher.

A Yeah. FYI Headquarters suspects that Manucher is identical with Ghorbanifar. We note that he had contacts with [redacted] as indicated by this Exhibit, they think it's probably the same guy. And he is the fabricator, and circulated the burn notice

Q Okay. All right. So essentially, as of July 9, operations Near East Division is trying to develop information on who [redacted] and Manucher Ghorbanifar are. Is that right? Is that what you're doing as of that time?

A They're trying to develop further information ~~as to~~ on this [redacted] lead.

Q I see.

A This is the lead [redacted] The other lead is from, is the case that Shaheen to Casey to me, but this came in I guess from [redacted] Must have been. [redacted]

Q Well, then, help me understand what this implies. This suggests that whatever Ghorbanifar and [redacted] were doing vis-a-vis Mr. Hashemi and Mr. Shaheen, they had made another approach to the United States by way of [redacted] Is that right?

A Well, they made an approach to [redacted] and [redacted] [redacted] had told us about it. Whether they had--and it's not unusual for people doing something like this, particularly a guy like Hashemi or Ghorbanifar to cast that net and you see which, you know, where you get your nibble. And if you have a message or something you're trying to promote then, you go through numerous channels to try to do it.

Q All right. The Exhibit 5 cable talking about the meeting. That would have been the [redacted]

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July. Is that right?

A Yes ~~Yeah, that's my.~~--well, I think so. It's not too clear.

Q They sort of black it out.

A There are two references-[redacted] and Director. [redacted] [redacted] and informed him as follows. I don't remember ever seeing this cable. I don't understand exactly, Could I see that other one again? ~~what [inaudible--again reading aloud from the~~ document].

Q Sure.

A I think I made a ~~#~~ wrong assumption, ~~--I~~ think this is following up on the other lead.

Q On the Shaheen lead?

A Yes, ~~Yeah~~, because It says an intermediary has advised us--that would be Hashemi--that we can confirm the full identity of the latter--that's this Manucher ~~or~~ [redacted] And probably what's blacked out is [redacted]

Q That would be my guess. I look forward to Seeing ~~saying~~ that someday.

A No, I think it's following up on the other. ~~I don't think its~~--I somehow had remembered [redacted] got into it,

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but I thought it was because, uh, that they had heard about ~~(Inaudible).~~ the lead.

Q Do you have any further recollection or knowledge of what happened [redacted] and elsewhere with this overture from Ghorbanifar and--

A So far as I recall it just petered out because they did not show up [redacted] I mean, he did not call. Shaheen was going to pass this message to him with the thing that [redacted]-you asked if he wrote something up about what we were gonna do. Shaheen was gonna call Hashemi in Geneva --these guys were always floating around Geneva. He was gonna call him and say okay, if you've got something to say, go here or call this number. And as far as I know, nothing ever happened on that.

Q Do you recall telling officials at State on the evening of July 10th that you were, you yourself o[redacted] were negative on [redacted] and Manucher Ghorbanifar?

A I don't recall specifically, but it's certainly in the context of what I believed and thought at the time. But the guy was only trying to get this nolle pros, and that he would just come up with another cockamamie story. But, since it possibly involved hostages, and maybe improved relations, from State's perspective, you had to listen to him. I personally didn't think he'd show up.

Q This document dated January 11th refers to DC/NE. That would be [redacted] correct? Deputy Chief?

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A That's right.

Q The memo also makes reference to the issue coming up at 3 p.m. meeting C/NE. Is that you.

A That's me. That would have been me. I normally had meetings once a week with Dick Murphy or Arnie. That's why it makes me think that that's Arnie Raphael up there.

Q This memo also makes reference to the point I made a little bit earlier, which says that our only knowledge of [redacted] in the biographic file is the report on Manucher, who claimed, among other things, that [redacted] "was the individual responsible for the kidnapping of William Buckley." Does That give you any further recollection of what you all knew about [redacted]?

A No. I don't. That doesn't refresh my recollection at all.

Q Do you have any recollection at all of what impact [redacted] role on the kidnapping of Buckley had on your evaluation of whether or not you should be doing business with [redacted]?

A Well, if it comes from Manucher Ghorbanifar, I would put about as much credence in that as anything else he says. So, it wouldn't have had any impact whatsoever.

Q With regard to a meeting in early July with State, discussing these matters, do you have any further recollection of what was discussed?

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A No. I made the arrangement. They said they would send a cable [redacted] and I think maybe another cable had already been sent. And it was agreed that at some point that, no, they did not need our officer to sit in, that [redacted] would be happy to do it for them, and that was--and that's all I recall on that, it was just left at that.

Q During this same period of time, June or July, we now know it from the Tower Commission Report, that there were a variety of meetings between Michael Ledeen and Ghorbanifar, Bud McFarlane and people speaking on behalf of Ghorbanifar. Were you aware in the June-July time period that Ghorbanifar was making an effort to reach the United States by way of the National Security Council?

A No.

Q At no time, to your knowledge, did Mr. Shaheen apprise the Director of an effort to reach the United States by way of the NSC.

A No. Not to my knowledge. It seems to me that had he, I would have thought he would have mentioned something to [redacted] in some context, because he was a very open sort of guy once, you know, he got one of these leads and you talked to him, he'd sort of tell you everything he knew about it. But, he seemed to accept the fact that our records showed that this guy, Ghorbanifar, was not the sort of fellow we wanted to deal, but that if he could lead to [redacted]

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maybe he was worth it.

Q In terms of Shaheen, though, you did not develop the impression that Shaheen had a profit motive in trying to put this relationship together.

A No.

Q And it is your recollection that [redacted] would have gone to New York and actually interviewed Shaheen. Is that correct?

A That is my recollection.

Q Do you recall anyone else being present at that interview?

A No.

Q If you were to try to give me an estimate of when this aspect petered out, came to an end, would it have been in mid-July or at a later time.

A Well, it was just left hanging. We sort of had it all in place by the, I don't know, the 10th or 12th of July, and then it just sort of--we were waiting and, no call.

Q Did you ever determine why there was no call?

A No. My assumption was that it was, that he just couldn't come through, when he was pinned down and we didn't want to talk about arms or about ransom or something, that, in other words, that he had to appear and state his case on the merits as to what the Government of Iran wanted to say to the U.S. Government, what they might do to effect the release of the hostages in return for

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better relations or something, that that wasn't the game that he was capable of playing. Either [redacted] or whoever [redacted] contacts were, if he in fact ~~[inaudible]~~. existed.

Q It did not come to your attention that this initiative had died because in mid-August 1985, Ghorbanifar and [redacted] succeeded in getting the United States' agreement to have Israel ship TOW missiles to Iran.

A It did not come to my attention ~~till~~ until long afterwards.

Q Was there merely one interview of Shaheen by [redacted] to the best of your knowledge?

A As far as I know. He may have met him on another occasion, but that's the only one that I recall.

Q Where would the Central Intelligence Agency have kept its records of matters relating to this incident?

A Matters relating to--

Q To this incident, the Hashemi, [redacted] Ghorbanifar connection in June-July-August, 1985.

A Well, the cables were sent, I don't know whether they have a file number.

Q We have a 201 file.

A Yeah. And this is out of Ghorbanifar's 201?

Q Yeah.

A Probably after he was identified, I mean that

Manucher was him. It would have been put in there, and there was a file on Hashemi, too, I think. So, it would have been in one of those files, they're probably in both of those files.

Q Have you had occasion to review the Hashemi file related to this matter.

A No.

Q Have you had occasion to discuss this matter or incident with [redacted]

A Over what period?

Q Within the last month or so.

A We have talked about, [redacted] not in the detail we have talked here today, about Hashemi and Shaheen and all that. We have talked about Ghorbanifar.

Q Well, let me come at it a little later. Did [redacted] advise you that he had been asked questions about this Hashemi-Shaheen-Ghorbanifar matter during the course of his deposition?

A No.

Q So you have not had the benefit of [redacted] recollections to refresh your own?

A No.

Q According to the Tower Commission Report and the other documents that you've now seen in the period June 1985, there were efforts underway to ransome two hostages, including Mr. Buckley, being supervised by Col. North and being done in conjunction with two agents from the DEA. Were you aware of such efforts in June 1985.

A June of 1985. I don't recall any. I recall that periodically there were leads that came up. DEA, you know [redacted] and they were informants, not agents. But, no, I don't recall.

Q Do you recall it coming to your attention during your tenure as Chief of the Near East Division, of plans or a program to ransom one or more American hostages?

A Our policy on that was, no, I don't. [redacted] ~~Oh,~~ There was in the latter days of, let me think when it was, I think it was the spring of last year, ~~uh,~~ [illegible], what was the guy's name? He was later determined to be, well, he was later killed, but first everyone thought he was dead, one of the hostages, I can't recall now, and then we got information through a source that he was alive and we got pretty good proof that he was alive, and the guy, they claimed they wanted something like a million dollars or so to let him loose. We obviously didn't pay ransom. ¶ We talked to the White House about that, specifically Ollie North, ~~was uh~~ We talked to him about it, and he said there was private money available to pay for this sort of thing. But that one never worked out. The guy was killed.

Q Let me focus you back in June. Were you aware of a proposal in June of 1985 to pay several million dollars in ransom for hostages and to utilize monies which Col. North characterized as monies generated in his Nicaraguan project to pay that ransom?

A No.

Q With regard to the matters we were discussing before, the Shaheen-Hashemi initiative relating to Ghorbanifar and [redacted] to your knowledge, did the conclusions that you all reached, the suggestions that you all made about not dealing with Ghorbanifar get related to the National Security Council?

A At that stage?

Q Yes sir.

A I'm not sure. I don't have any recollection that they were communicated to the National Security Council. They were certainly communicated to Casey. State knew about it at the Armacost level.

Q Secretary of State Schultz has testified, as you know, that as of mid-July, about July 18th, he had seen intelligence reports on Ghorbanifar, I believe they related to this incident, that he was aware of Ghorbanifar's track record and how he was perceived by the Central Intelligence Agency.

A Yeah, I suppose that's probably right.

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Q Do you have any knowledge of a similar conveyance of information to Bud McFarlane during this period of time?

A No.

Q Do you specifically have any knowledge of this information being passed to Col. North during this period of time?

A No.

Q Given Col. North's position relating to the hostages, is it likely or unlikely that the Central Intelligence Agency and State would have apprised him of this Shaheen-Hashemi initiative during the June and July period of time?

A It's probably likely that it would have come to his attention in some of the, ~~you know, the~~ periodic meetings on the hostage situation. Although, at that time, this hostage-locating task force had not been formally established.

Q No, I'm familiar with that, but it was Col. North's turf, so to speak, to deal with hostages in June and July of 1985. Isn't that right?

A Yeah, yeah. I mean, he was dealing with it. I don't know that it was, if turf is exactly the right word. It wasn't exclusively his turf.

Q I'm not suggesting that. But that certainly--

A Yes, it's quite likely it could have come to his attention, but I have no knowledge whether it did or did not.

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Q You, yourself, did not, you don't recall having had such discussions.

A I don't recall having said. I might have said something like, you know, we've got a lead, or Casey might have said something to him about John Shaheen's given us a hot lead, and then, he might have asked me, and I might have said, well, yeah, it turned out to be a bummer, or something. But, I don't recall. That wouldn't be impossible.

Q Do you have any knowledge of [redacted] communicating with Col. North about this matter in the June-July-August period?

A No.

Q Let me move you into the fall of 1985. Did you become aware in the period of late August-September that Col. North was involved in an initiative with certain Iranian expatriates and others?

A No. I think my first knowledge that something was going on. Well, of course, Weir was released, and it was after then. That was, as I recall, in September. After that, there was it may have been early October, oh, I guess the first thing that alerted me, it was about the time Weir was to be released.

Q Weir was released on the 15th of September.

A Okay, that's right. Somebody said, I don't know if it was over a weekend or what, that Weir is about to be released, and, I don't know, Claire George may have said that, or John McMahon may have said it, that they're expecting to get Weir

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out, and whether that means, you know, the Church or State, or the Iranians, or Ollie North, or whatever, but that there was anticipation at the White House that Weir was going to be released. And, Bingo, he was released. ¶ And then I gradually became aware that some credit was being claimed for this in a satisfied way, by the White House. That they had worked with somebody and had gotten him out. Now whether, what it was, I didn't know. ¶ Then, in early October, John McMahon and I were on a trip [redacted] and during the course of that trip, during which the Achille Lauro thing took place, John and I were sitting around having drinks someplace [redacted] And he said something about, gee, I hope they know what they're doing. I hope this all works out about the Iranians and the hostages. And that's all he said. The unstated thing was that it was, you know, the White House was working somehow with somebody in touch with the Iranians. I did not know of the Israeli end of it.

Q Let me focus you on a couple of events and see what you can tell me about them. Mr. Allen places it at September 9; contemporaneous records place it more like September 12. In any event, during that period of time, Col. North asked Charles Allen to increase [redacted] efforts on what we now know to be Manucher Ghorbanifar and [redacted] Did you know that that asking as you like to it had been placed on Mr. Allen at that time.

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A No, I did not know at that time.

Q Director Casey didn't have any discussions with you in that period of time about Mr. Allen's activities?

A No.

Q Do you have any knowledge of a request coming in from Mr. Allen's office relating to Manucher Ghorbanifar, relating to an alias name - Ashgari, relating to [redacted] asking you all to tell them what was in your file on those people?

A It's quite possible he did, I don't specifically recall it. It wouldn't necessarily come up to me, or even to [redacted] but it probably would have been brought to my attention, but I just don't recall whether it was or not.

Q Just in terms of dates, the first Israeli shipment of a hundred TOWs was August 30, then 408 TOWs went out on September 14. Your testimony is that you had no knowledge of those.

A That is correct.

Q We do have a memorandum that was done in 1987, suggesting that you all had cable traffic on the September 14 flight, at least the fact that it went into Tabriz, that sort of thing. Do you recall what you all knew at that point about Israeli flights into Iran?

A I recall about some reporting but I thought that was later.

In september?

Q Yes sir.

A Was this the flight that came back out to Israel and then there was something in the paper about that. I thought that was later.

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Q There was also, in October, there, there, a report about the, the plane stopping and going to Africa.

A So, That ~~'s~~ is what I remember, and I remember there was something, ~~on~~ [redacted] somebody reported, "Hey, here~~'s~~ something~~s~~ has happened." They didn't have any knowledge of what it was. And I think that's probably what, that contributed to my overall impression that something was going on. Weir was out, the White House was happy, McMahon later, I think in October, said something to me, and it may have been this plane. It was pretty obvious that something was going on.

Q You also apparently learned or your division did that there had been a suppression of a story in Israel about a Kimche-McFarlane meeting and its results and how it related to the release of Weir, any recollections...

A I don't have any recollections.

Q According to Mr. Allen, he and director Casey met on September 16, two days after or a day after Weir was released to discuss the Weir release and during the course of the conversation Casey indicated what he knew about the American role in the Iran initiative. Did you attend that meeting?

A No.

Q Did you have any knowledge of that meeting?

A No. I know Charlie was involved and everyone was trying to get in on [redacted] and I remember dealing with Charlie in terms of who would go down [redacted] and so forth.

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Q Who from your office of anybody dealt with that [redacted]

A I think it probably had been [redacted] I can't think of the name right now at the time. And he would have coordinated with the [redacted] I think he's the guy.

Q Was Col. North in evidance to you in those September 14, 15, 16 period, trying to set up or establish [redacted] and the other accoutrements that go with the release of the hostages?

A I don't recall any, but then I wasn't dealing directly with him ...

Q [redacted] Do you mind if we take couple minutes break.

Q No, not at all.

(BREAK)

Q [redacted]

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[redacted] in early October 1985?

A I don't recall anything specific. No.

Q Do you... recollect whether or not you had concluded that Mr. Buckley was or was not dead at that point?

A I think we'd pretty much concluded by that point that he was dead. ~~Though~~ but we weren't going to publicly confirm it.

Q I understand, I understand. Im going to show you what's previously been marked as Allen exhibit number 7, I doubt that you've seen it before, but perhaps you could look at it and tell me if you have seen it. There's one point of reference that I wanted to mention to you. On the second page of Mr. Allen's memo he indicates that as of the date of that memo, which I believe is October 7th, the Central Intelligence Agency, he says, has strong evidence that Mr. Buckley is dead. Do you know what the strong evidence was, that Mr. Allen's referring to on October 7th?

A It seems to me that there were bits and pieces reporting that he's dead, [redacted] didn't have anything that offerred any hope. There'd been something about people being moved and Buckley hadn't been with them. But I don't recall any strong you know, single piece of evidence or even, that stood out from the others. It was, you know, that we hadn't heard from him. The reporting about the hostages and we had I think by then [redacted]

Q Did it come to your attention during this period of time that Mr. Ghorbanifar had made an inquiry as to the condition as to Mr. Buckley and had advised US representatives as of this period of time, 7-8 October, that Mr. Buckley was dead?

A No, it did not come to my attention that Ghorbanifar had done that. It may ~~of~~, that intelligence may of been passed to me in some form that, you know, that somebody said this, but I don't recall his name coming up again until sometime later.

Q While we're in this period of time I'd like to show you one other document that was generated by Mr. Allen for Col. North on the 19th of September, relating to Iranian arms deals. Allen exhibit 8, ask if you saw that document at or about the time it states.

A Market arms scams things, rings a bell, but I don't recall the covering on it. I certainly...Charlie Allen to Oliver North, I don't really recall this one. I remember the basic document.

Q Do you recall knowing that Col. North was being given this information by Mr. Allen at this time.

A No.

Q Or why it was being given to Col. North.

A No.

Q Sorry to jump around, I missed one other thought. At the October 6-7-8 period, when Ghorbanifar was in town, that is the same time as the Achille Lauro incident, were you involved in the CIA's efforts to follow and be of assistance in the Achille Lauro matter?

A John McMahon and I were off [redacted] It was all over. [redacted] We heard about it there.

Q In terms of the way you all operate, when you are away, when you are on the road like that I take it that operational responsibility would lie with your deputy back at headquarters, is that the way it works?

A Yea.

Q So [redacted] would have had that watch, is what it comes down to.

A Yea, that's right he would have been in charge of any, had

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something serious come up he would send me a cable.

Q Were you aware that Mr. Ledeen was playing a role in the Achille Lauro matter?

A No.

Q Did you know Michael Ledeen at that time? Have you ever met Michael Ledeen?

A I've never met Michael Ledeen. I've seen him in the distance. I'd never heard of him until...I've heard of him of course, he has written things about Iran. But, I mean heard of him in our circle, until December of 1985.

Q 85?

A December of 1985, that's right.

Q And you would have heard of him in that context because of the Ghorbanifar memo?

A That's right. When that came out.

Q In mid November 1985, Mr. McFarlane is said to have had a conversation with Mr. Casey and Mr. McMahon, relating that the Israeli's were giving arms to Tehran. Did you have any knowledge of that discussion, that conversation had with Casey?

A No.

Q Col. North at that same time, mid-November 1985 was in London meeting [redacted] Manucher Ghorbanifar. Did you have any knowledg [redacted]

A [redacted] Oliver North [redacted] I had no knowledge of him meeting with

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Ghorbanifar. [redacted]

Q Your relationship with Dewey Claridge, at that time was what? You knew each other professionally, I assume.

A Hhm?

You knew each other professionally?

A Oh, yes, yes, I've known him for years. He's the first real live CIA case officer I met [redacted] and somebody said that's a Case officer headed for somewhere. He was [redacted] at that point.

Q Had you had occasion to work with Mr. Claridge on any of your assignments?

A In the old days [redacted] we've never served overseas together. [redacted] I guess. That's the only time I've ever worked in the same unit with him.

[redacted]

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[redacted]

Q With regard to events of November 22, 23, 24, 1985, were you in the country at that point?

A I was in the country at that point.

Q With regard to the flight ultimately made by the CIA proprietary airline into Tehran, were you aware of matters relating to that flight while they were going on?

A No, no I was not. I didn't hear about that flight until, uh it must have been early December...could have been the very end of November, but I think it was, sort of the week or next week after it, maybe ten days or two weeks.

Q You were or were not aware that Colonel North was at the CIA the weekend of the 22nd?

A I was not aware of that.

Q Mr. Clarridge at no time talked to you about the events as

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they were going on?

A No. Absolutely not.

Q With that also be true of your personnel, [redacted]

A I'm sure it is, because I remember when we learned about it, I don't remember if [redacted] heard about it or I heard about it...one or the other...then we sat down and discussed it...what went on...and there was apparently a flight. [redacted] And then I think there had been a news story there about an airplane going to Tabriz and all that, so I obviously knew something was going on but it didn't enter my mind that it was one of our aircraft. It entered my mind in a pure speculation -- I wonder what this has to do with the deal that may be going on, so I assumed it might be some airplane that might be involved with Secord or somebody that had some Central American connection. But it didn't occur to me that we had...

Q When did it actually come to your attention that the CIA proprietary had been used?

A I think it was a week or ten days after, maybe early December I think it was.

Q When did you learn the cargo of the flight that was made by the proprietary?

A I learned, I think, when I learned about the flight I learned that there was a concern to the point that John McMahon had raised hell and said... that the concerns based on the fact that there may have been military supplies, I didn't have any specific knowledge...there had been a flight and it obviously had been some sort of deal with Iran, and that military supplies had been involved, and whether it had been Hawks or TOWs or anything like that I didn't learn until later.

Q Has it ever come to your attention that a cable was sent [redacted] to CIA Headquarters on the 23 of November relating a meeting between the [redacted] and General Secord...that Mr. Copp identified to the [redacted] that the cargo was in fact Hawk missiles?

A I think that only came up, or came to my attention within the last couple months, since I've been A.D.D.Oed...in the course of the investigation and the independent counsel and all that.

Q Have you ever seen that cable?

A No. I have not seen that cable. I have heard talk about it, and I may have seen some of the I.D. notes on the interview involving [redacted] but the cable I did not know.

Q Do you have any knowledge that the cable does or does not exist somewhere in the records of the CIA at the present time?

A No, I do not. I know there was cable traffic...I am not sure what you mean by THE cable.

Q There is A cable that we're looking for.....Were you aware in late November that Mr. McMahon felt a finding was required because of this flight...a presidential finding?

A Either late November or early December, simultaneously with the fact of the flight...in fact it came to my attention because

John McMahon had said, "Be careful...no airplanes, no nothing unless we have a finding."...that context...he didn't say that to me, but I believe he said that.

Q Do you have any knowledge of who McMahon assigned the task of checking with the White House periodically to determine if a finding had been assigned?

A No I do not.

Q And you don't know what if any responsibilities either Charles Allen or Dewey Clarridge had in that regard?

A No.

Q Let me show you a memorandum dated November 26, 1985 from Mr. Casey to Vice Admiral Poindexter, enclosing a proposed finding which approves of the Marcus Allen exhibit 10. I ask that you look at that and tell me if you have ever seen that document before.

A No.

Q You have therefore had no role in drafting the language or suggesting the language to be used for this finding...the concept behind it...the rest of it was not your balliwick?

A Absolutely not.

Q Do you remember attending a meeting in Mr. McMahon's office on the 5th of December in which among other things the Iran initiative was outlined and the November flight was discssed?

A I don't recall that. It's possible. As I say I learned about the flight in very late November or early December, it is conveivable that I could have attended the meeting, because I would have understood the context of it.

Q Let's see if I can refresh your recollection. Let me show you a memorandum that was done November 28, 1986 by [redacted] reconstructing notes that Mr. McMahon made of a December 5, 1985 meeting held at his office amongst yourself, Mr. Gates, Mr. McMahon, [redacted] Mr. Juchniewicz and [redacted] Let me have this document marked as exhibit 3. Is that where we are? I'd like you to take a few minutes to read it, because I'd like to see if it would refresh your recollection at all on what happened at that meeting.

A . [redacted] ..Paul several things, I've been reflecting back on the situation and I was thinking a little later than this, I knew I heard about the flight, then I knew that John talked to us, talked to me, about the meeting that was taking place at the White House on the question of the initiative with the Israeli's and the Iranians and I... [too soft to make out]...I have difficulty in recalling this specific meeting but all of the facts that are mentioned, most of the facts that are mentioned in there I recall. But I don't remember this about the President signing a Finding.

Q Well, that was question number one on the list. You don't recall that being discussed?

A No.

Q You don't recall who discussed it, I guess is even more important, who raised the point?

A I sure don't. I know the whole context was that if we were to play any role and do something, there would have to be a Finding, but I don't remember anything about a Finding authorizing us to do things...they talk here about Oliver North arranging five plane loads and a lot of this meeting was to get intelligence, I think so John would be prepared when he went to the meeting on the 7th and you know, with facts. So that claims by the Israeli's or others might be met with facts. But I do not recall that bit about the Finding.

Q Now, I'm going to show you this document in a moment. On December 7th, 1985, Mr. McMahon wrote another memo, a memo for the record, and he said that "after repeated calls to NSC personel on 27 November, and during the week of 2 December, continuously receiving reassurances of the President's intent to sign the Finding, we were notified on 5 December that indeed the Finding was signed. The President directed us not to inform Congress for reasons of the safety and secure release of the hostages until he so directed." December 7, 1985. Have you any further recollection of what you all knew about a Finding you sent to the President?

A I didn't know anything about a Finding. The first I heard about a Finding was later in January. The first time I recall hearing about a Finding.

Q At no time since these events have you or Mr. McMahon had occa~~i~~sion to discuss what caused him to believe a Finding had been signed in December.

A John had gone to Lt. Aldridge, I've seen him a couple of times you know, we've been back to testify in town, but I've never talked with him.

Q Okay. If I could borrow that memo back, I'd like to ask a couple of questions. What took place at this December 5, 1985 meeting. The second bullet indicates that Mr. McMahon said that he was going to be attending a meeting on 7 December, with the President discussing the Israeli/Iranian initiative. He says that a new "Private interlocutor was working with Israeli foreign Ministry official David Kimche." Do you recall who the identity of that private interlocutor was?

A No. I could make an assumption based on what I learned later.

Q I understand that. Do you recall Manucher Ghorbanifar's name coming up in the context of this meeting, in early December? ([redacted] apparently shakes head, No.) Did not come up?

A I don't recall it coming up.

Q Do you recall Ledeen's name coming up at this meeting?

A No, No.

Q Were you aware that the day before, December 4, Dewey Clarridge and Charles Allen, met with Mr. Ledeen at length to go through the Ghorbanifar initiative?

A No. The first I heard of Ledeen was a little bit later when he came up with some terrorist information and other information and we got into it in the N.E. division.

Q Mr. Allen and Clarridge did not keep you apprised that they

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met with Ledeen in late November, met again with him on December 4, to discuss Ghorbanifar.

A No, absolutely not.

Q Do you recall [redacted] do you recall him apprising you all of what the cargo of the plane was that had flown on November 23rd?

A I remember him mentioning something but, you know, I don't think I focused that much. I knew it was weapons, or you know, military goods, but I don't remember specifically what he said.

Q Well, let me just pursue that a tad further. Apparently there was discussion at this meeting of North's plan to send perhaps as many as five more plane loads including 747's with weapons to Tehran. Do you recall that discussion at all, what the program was?

Q No. I don't. I mean it may well have been that. I mean it was sort of at times Col. North tended to over dramatize if not exaggerate things sort of, "get all this done and we're gonna send five airplanes and get out seven hostages," and that sort of thing. So I'm not sure I would have accepted at its face value that yea, that's really going to happen in the next couple of weeks even had [redacted] said it having heard it from the White House.

Q The reason I'm focusing on it, is because insofar as you all were going to be backing up Col. North on that program given McMahon's position that you all knew the Presidential Finding, suggests to me that there must have been some discussion with the

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Finding in place at this time, otherwise McMahon wouldn't have had you all helping out Col. North.

A Well as I tell you my recollection at this meeting is that it is primarily for John to get himself up to speed; we had the DI people involved in this and Bob Gates and his deputy for the Near East area, [redacted] myself; that it was to get himself armed with facts, facts and figures to go to this meeting to talk about what ever was going to be done, but I do not recall him mentioning a Finding or a specific role of CIA. The reference there is right I think that [redacted] or somebody said well if Ollie's going to get these airplanes then--

Q Let me add one other fact to the mix--we know from cables that we reviewed that there was a lot of cable traffic during this period of time trying to arrange for overflights in various countries, [redacted] and the like--

A You mean through our channels?

Q Yes. Through the CIA. Seems to have been done primarily out of Clarridge's shop. I'm just curious why you all weren't playing a role, if you weren't.

A Well I've always, I mean I've reflected on that since the time. It started out there was a flight to go from [redacted] and there was a question getting clearances and that's [redacted] didn't really impact on the Middle East and sort of started out from there and why it continued that way, I don't know.

Q Coming at it from another angle, were you aware that of the

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fact that the CIA was indeed trying to obtain clearances for these succeeding flights in early December?

A I don't recall being aware of that, no.

Q I'm trying to stir recollections which would suggest that you would have known the Finding. But no such--

A It's going [redacted] that doesn't cover any anyway, so--

Q I understand--

A There's no reason for me to be aware of that.

Q It was landing in Tehran though, it's under your turf, isn't that right?

A It does, but it gets on to my turf, but I wouldn't be involved the clearances of the flight clearances.

Q Okay. Alright. There is a reference in this collection notes again going to the interlocutor that I have trouble with, its key players were Kimche and the private U.S. citizen interlocutor. Any further recollection of who that might be?

A Other than my later assumption; this would have been Ledeen.

Q Yes. But in terms of a specific recall of him being discussed?

A No, not then. The first time I heard Ledeen's name was later. It up around the 20th or 21st of December, as I recall.

Q Do you recollect what assignment, if any, any division was given to get McMahon up to speed for this meeting with the President?

A I think it was sort tracks on the Iranian political

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situation, you know the moderates, the Mullahs, the middle-of-the-roaders, identities of the people in the hierarchy who had political clout, etc., etc., that sort of thing. And we would have worked with [redacted] and his people on that, and if we had something to add, you know from the intelligence hierarchy or some reporting that fleshed out with the DI might ....., we probably would put it together and given it to him. I don't recall the product.

Q Do you recall McMahon expressing anything about his view of the merit of this initiative, at this meeting prior to meeting with the President?

A I recall, I don't recall when he expressed it; I think I know what his attitude was, and I know what my attitude was at the time, and I think he thought it was sort of a cockamamie scheme.

Q Was that a view that you shared?

A Yeah. Well I thought, I began to think that it was really cockamamie when I got Ghorbanifar's circus from Ledeen, and all this stuff. Before that, when I heard this Israelis and, I mean I thought it was you know not my bailiwick, political-diplomatic decisions, but that it was a politically, you know when you've been very careful walking a careful trail not to pay ransom, not to deal with terrorists, even though you weren't dealing with the terrorists, you were dealing with the Iranians, and it was a politically-charged dynamite, but you know I said something to Bill Casey....is this really what people want to do? And--

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Q When would you have had that conversation, roughly.

A Roughly in December or January, I suppose.

Q Was this a one on one session, or in passing along the hall, or what?

A It was probably at the conclusion of one of the meetings that I had with him when we sent [redacted] to talk with Ledeen. I don't remember exactly. But on the other hand, if it were something that could be done quickly and really have an impact on U.S. - Iranian relations and get the hostages out, may be, cause the results of the potential for them may be ___...___...__.....

Q Were you aware that Charlie Allen was preparing a memorandum on the political situation in Iran at the same time?

A I don't recall.

Q You don't remember McMahon saying to Charlie Allen you've need to give me a briefing on Iranian politics?

A No, I don't recall that.

Q You don't recall anybody saying why Charlie Allen, NIO Counterterrorism was doing this as opposed to the NIO for Near East, South-Asia or [redacted] office?

A Well Charlie Allen's a man who fills a vacuum...I mean he was still in terrorism quite legitimately and ...terrorism, Iran was certainly a country that had been involved in state-supported terrorism, and so I wouldn't have found it unnatural that Charlie was sort of in his way dug up a lot of facts about Iran ......or in the process of preparing.....

Q Clarridge was out of the country on the 5th of December

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which is why his deputy attended this meeting. So was Mr. Casey. Do you know if they were out of the country at the same location?

A No, I don't recall......

Q Mr. McFarlane and Colonel North met with Mr. Ghorbanifar in London immediately after the meeting of December 7th. Did you know that was taking place at the time it took place?

A Not at the time it took place.

Q When would you have learned that?

A I think I heard about that, I learned, in fact I learned more about what had gone on from Michael Ledeen's revelations to [redacted] in their first meeting that I had known. I mean that provided then a very good framework for all these facts. I learned it all from Ledeen. Ledeen told [redacted] all that 3 or 4 days before Christmas, including the fact that he had been in touch with Ghorbanifar and Ledeen was the promoter for Ghorbanifar.

Q Now let me show you Mr. Allen's memo dated December 18, 1986, of his meeting with Mr. Ledeen on December 4. Did I say December 18, 1986? December 18, 1985, of his meeting on December 4, 1985 with Mr. Ledeen. Ask you to look at it and tell me if you've ever seen that memorandum before.

A Probably did see this. I can't say for sure, but I think it was you know when Ledeen had proposed the day they had this scam it might work against Khaddafi, and which was a cockamamie sort of thing, a sting operation [redacted] and Khaddafi, and even Khaddafi isn't dumb enough to fall for it a

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second, well he might, but not a bird (laughter) so I heard about that and it was about this time that either Clair~~e~~ or Clair~~e~~ and Casey, or maybe just Casey, I don't remember talking to us about taking a look at this guy Ghorbanifar's information well first talking to Ledeen and leaving Ghorbanifar. Because we had bad experiences with us; he sure had and so I may have in the course of being briefed on here's the situation, I may have been handed this memo. I don't recall it. But I'm certainly familiar with most of the facts in this. Yeah. Either out of here or from Ledeen's conversation with [redacted]

Q Has that document been marked? I don't think so. Let's have it back and mark it.

A [Mumbling, typist can't distinguish]

Q Memorandum does make reference to a 1984 effort by Ledeen to get McFarlane to open up contact with Iran. Did you have any knowledge of the 1984 effort that McFarlane made to open contact with Iran?

A No.

Q Did you ever explore that point either with Mr. Allen, Mr. Clarridge, or someone else who had talked with Mr. Ledeen?

A No, no I don't think I did.

Q Reference to that memorandum to one of the schemes, which is a suggestion by Ledeen as we read about Mr. Allen. That had been discussed with Colonel North. Did you have occasion to discuss these matters with Colonel North in the early December period times?

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A No, No.

Q Indicated in terms of Mr. Ghorbanifar, as I understood your testimony, you knew of the situation that occurred in June/July when the __________ initiative came in ...... You became aware of Ghorbanifar again in December I take it.

A I think before then. [redacted]

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[redacted]

Q Let me stop you. Were you told that your White House contact was to be Colonel North? How'd you know that North was the guy to [redacted]

A I think the requirement came from North.

Q From North?

A Yes, I think so.

Q Did you actually meet with North on this requirement?

A I don't remember whether I did not.

Q Did you pass this assignment to [redacted] to carry out? Is that the way it came down?

A No, [redacted]

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[redacted]

Q Do you recall any direction being given to [redacted] or anybody else to communicate this information back to Colonel North?

A About what?

Q That Manucher Ghorbanifar had been subject to a burn notice and was known to the CIA as a fabricator? A _______ fabricator?

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A I don't recall that. I don't recall that.

Q Do you recall this matter coming to the attention of Mr. Juchniewicz?

A No.

Q Do you have any recollection of Juchniewicz calling [redacted] in and giving [redacted] the assignment of advising Colonel North as to the background of Manucher Ghorbanifar?

A No, it's quite possible.

Q Do you know if [redacted] ever did that when he carried out the assignment, told Colonel North about the background of Manucher Ghorbanifar?

A Right at this time, I don't know. I know that Colonel North by mid-December certainly knew the background of Manucher Ghorbanifar; no question about that.

Q How about in early November?

A I don't know, I don't recall that. It's possible, but I don't recall that. The trace or check on Ghorbanifar would turn up the burn notice, and would have earlier.

Q One of the concerns I have is Mr. McFarlane, as you probably know, from the Tower Report, professes not to have known Manucher Ghorbanifar from an Edsel, so sometime in December 1985; do you know of this information being passed on to the NSC, to McFarlane before December 1985?

A I don't know. As you mentioned earlier in the preceding summer when Hashemi came up with [redacted] Manucher thing. I think its quite possible that North was told about it, but I don't know the specifics.

The deposition adjourned at 12:45 p.m.

① ASSOCIATE DDO

6/17/85

C 8363

17 June 1985

MEMORANDUM FOR: Chief, Near East Division, DO

FROM: Director of Central Intelligence

SUBJECT: Release of Hostages

1. John Shaheen [redacted]

2. Shaheen received a call from a Dr. Cyrus Hashemi who is currently in Hamburg at the Hilton Hotel in Room 703. Hashemi has tried to get in touch with us before offering to put us in touch with leading figures in the Iranian Government. When we learned that Hashemi is under investigation for violations of export control laws, we pulled away.

3. His recent call to Shaheen offered a change in Iranian policy (or information about a change in policy) that he could provide if the American Government would be able to get him a nolle prosequi -- in short, if we are able to take the pending indictment for conviction off his back. Shaheen said that he had no power to do that but then asked whether Hashemi's contacts with the Iranian government were good enough to spring the hostages if he could be gotten off the hook. Shaheen did this knowing that there have been occasions where nolle prosequis had been arranged for high national security considerations. What he was doing was feeling out Hashemi to see what kind of a reaction he would get. Hashemi said he would call back and in two hours he was back on the phone having, he said, talked to the [redacted] He came back asking for the release of the DAWA hostages, plus TOW weapons, plus his nolle prosequi. Shaheen dismissed this saying no weapons, no DAWA prisoners. Then again, to feel him out, said, although I can't speak for the US Government, I understand that it will not negotiate with terrorists, and you might be able to get some Italian medical supplies or something like tha[redacted] Again Hashemi said he would check and called back within a couple of hours claiming that he had talked again to [redacted] and that they weren't interested in Italian medical supplies but they were willing to have a high ranking representative from Tehran [redacted] as early as Wednesday or Thursday of the coming week. He would have an agenda of what they were interested in.

[redacted]

DO 4967

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CL BY [redacted]
RVW OADR

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4. [redacted]

5. Dr. Hashemi claims to be in touch with [redacted] [redacted] and says he knows about a recent attempt by George Bush's brother, together with a man named Shekeleh (no further identification) to contact the Iranians on this. Shaheen claims that he has made it clear that he can't do it for anything, that the US Government does not deal with terrorists, that if there is a meeting [redacted] nothing at all could be agreed upon in advance, that it would be up to the Iranians to tempt the [redacted] with an offer which [redacted] might be able to work out.

elder

6. This should probably be taken up with Dick Murphy to see whether it is ready under the circumstances to see if [redacted] would be willing to listen to whatever proposition the Iranians might have in mind bringing [redacted] and to listen to whatever surrounding information might be available.

7. I ran into Rick Burt last night and discuss this with him. He thought that it was interesting and indicated that there had been recent knowledge that a nolle prosequi had been arranged and said he would talk to Dick Murphy about it. I think we might touch base with the Assistant Secretary of State for International Organizations as well as with Murphy and in doing so tell Dick about Burt's reaction. I suggest that he might want to check with Burt.

William J. Casey

IED DO 49670

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CIIN 3733

REVIEWED FOR RELEASE
DATE 20 May 17
HSC/SSC

SECRET

(2) CHAPTER 9
FN #48

Washington, D.C. 20520 6/22/85

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June 22, 1985

Under Secretary [illegible]
DATE: 24 JUN 1985

ACTION MEMORANDUM
S/S [illegible]

S 3312

R0016
R0016A (attached)

~~SECRET/SENSITIVE~~

TO: P - Mr. Armacost

FROM: NEA - Richard W. Murphy

SUBJECT: Possible Iranian Contact Via Cyrus Hashemi

ISSUE FOR DECISION

Whether to pursue a meeting brokered by Cyrus Hashemi to discuss "hostages" with an Iranian official.

Declassified/Released on 5/4/87
under provisions of E.O. 12356
by [illegible], National Security Council

ESSENTIAL FACTORS

You will recall our earlier discussions on the Cyrus Hashemi case, about which Elliot Richardson had called you. Hashemi, who is living in West Germany, has now reentered the scene and has contacted a friend of Bill Casey's, with an offer to bring forward an Iranian official to discuss "U.S. hostages" in return for lifting a U.S. indictment for 1979-82 arms trading now outstanding against Hashemi (see attached CIA report which [redacted] gave us). Justice has no interest at this time in releasing Hashemi from the indictment (although it would be difficult to extradite him and he cannot be prosecuted unless he enters the U.S.) and we do not want to take any action which might prejudice Justice's case against him.

While the chances may be slim that Hashemi can deliver an appropriately senior Iranian for a Bonn meeting next week, as he has undertaken, we would nevertheless not want to pass up an opportunity to talk with an appropriate Iranian official about the hostages. (In this case we presume he is talking about the seven hostages who have been held for lengthy periods by Iranian-influenced groups in Lebanon). Hashemi has a sleazy record. [redacted] But he does appear to have some top contacts in the Iranian hierarchy.

I consulted urgently with Justice on June 20 to ascertain its reaction to the Hashemi proposal. We had suggested that no USG official would meet with Hashemi and the official from Tehran since we do not want to jeopardize the case against the former. We suggested that we would ask the [redacted] to send

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under provisions of E.O. 12356
by B. Reger, National Security Council

~~SECRET/SENSITIVE~~

[illegible]

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a professional to listen to the Iranian representative [redacted] next week. [redacted]

L reports that Justice, taking into consideration the current hostage crisis, felt that we could go ahead with the Hashemi-arranged contact next week. Justice understands that we would be in a listening mode and would undertake no discussion which could be construed as negotiation with Hashemi. Justice also thought that if we could not identify a third country official to do the job that we could send a U.S. citizen, including possibly a USG employee, but would prefer we not be directly involved in discussion with Hashemi.

Although we would prefer not to deal, even indirectly with Hashemi, and the chances for a successful meeting are slim, on balance, we believe we should go ahead using a [redacted] representative. We would be very clear that he would not have any authority to negotiate on behalf of the US with the Iranian representative and would basically be there to listen. Once we have the results of the discussion, we can decide how to proceed.

We will keep in close touch with the [redacted] front office if we decide to go ahead.

Finally, Bill Casey is very anxious to move ahead on this proposal. I suggest you call him to say we are urgently working on the issue and will be back to him as soon as possible. We have passed the same message to [redacted] c/[illegible](cm)

RECOMMENDATIONS

That you authorize NEA to explore the possibility of a meeting in [illegible] of a third country diplomat with an Iranian official.

Approve ______ Disapprove ______

Alternatively, That you authorize a USG official to attend the meeting.

Approve ______ Disapprove ______

5/6/87

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Attachment:
Casey Memo of June 17
DRAFTED: NEA/NGA:APBurleigh 6/20/85
Wang 3118A x. 6313

Clearances: L:LPollard
NEA:JPlacke
NEA:ARaphel

S 3814

UNCLASSIFIED 5/6/87

~~SECRET~~/SENSITIVE

[illegible]

FOI(S) REVIEW

Cat. A - Caption removed; transferred to O/FADRC

Cat. B - Transferred to O/FADRC with additional access controlled by S/S

Cat. C - Caption and custody retained by S/S

Reviewed by: Elijah Kelly Jr.

Date: [illegible]

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Department of State

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S 3815

PAGE 01 OF 02 STATE 215218 C05/18 081272 N00751
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DRAFTED BY: NEA/NGA:APBURLEIGH:APB
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Partially Declassified/Released on 5/6/87
under provisions of E.O. 12356
by B. Reger, National Security Council

~~S E C R E T~~ STATE 215218

NODIS
E.O. 12356: DECL: OADR
TAGS: PREL, PINS, IR, US
SUBJECT: POSSIBLE IRANIAN CONTACT VIA CYRUS HASHEMI

REF: BONN 13715

1. SECRET - ENTIRE TEXT.

2. THE FOLLOWING INFORMATION MAY BE USED TO UPDATE THE [redacted] IF YOU DEEM THAT NECESSARY. WE HAVE CONSULTED WITH FRIENDLY SERVICES TO GET ADDITIONAL BACKGROUND ON THE TWO IRAN OFFICIALS WHO HAVE BEEN SUGGESTED AS INTERLOCUTORS BY HASHEMI. RESULTS OF THESE QUERIES FROM US HAVE YIELDED THE FOLLOWING INFORMATION WHICH WE CONSIDER AUTHORITATIVE.

3. [redacted] IS AN IMPORTANT OFFICIAL [redacted]

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Department of State OUTGOING

PAGE 02 OF 02 STATE 215238. 6??/18 003272 NOD751

[redacted] AS SUCH, IMPORTANT IN IRANIAN OPERATIONS AGAINST "COUNTER-REVOLUTIONARIES". [redacted] INTELLIGENT AND FLEXIBLE ON TACTICS, THOUGH A THOROUGHLY COMMITTED FUNDAMENTALIST. HE IS THOUGHT TO BE EQUALLY ILL-DISPOSED TO THE U.S. AND U.S.S.R. [redacted]

4. THE SECOND NAME SUPPLIED BY BASHEER: MANOUCHEHR GHORBANIFAR, IS WELL-KNOWN TO THE USG AS A TALENTED FABRICATOR. HE IS THE OSTENSIBLE NEW OFFICIAL DESCRIBED BY BASHEER AS A RANKING INTELLIGENCE OFFICER.

5. BASHEER HAS BEEN TOLD BY THE USG THIS WEEKEND THAT WE ARE PREPARED TO RECOMMEND TO [redacted] THAT THEY MEET WITH [redacted] BUT NOT GHORBANIFAR. IF THAT IS NOT AGREEABLE TO THE IRANIANS, AND THEY INSIST THAT GHORBANIFAR PARTICIPATE IN THE MEETING WITH [redacted] WE WILL AGREE. BUT WE WILL NOT AGREE TO A GHORBANIFAR MEETING FIRST, TO BE FOLLOWED BY A MEETING WITH BOTH IRANIANS, AS PROPOSED IN [illegible].

6. AS SOON AS WE HEAR WHETHER THIS APPROACH IS ACCEPTABLE TO THE IRANIANS, WE WILL BE BACK IN TOUCH WITH [redacted] ARMACOST

Partially Declassified / Released on 5/6/87
under provisions of E.O. 12356
by D. Reger, National Security Council

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Coded by [illegible]

86-[illegible]

CIIN NO. 11.

TITLE John McMahon's note pad reference to December 5, 1985, approval of Finding related to NSC project.

DATE	DESCRIPTOR - TO/FROM
28 Nov 86	MFR [redacted]

Partially Declassified/Released on [illegible]
under provisions of E.O. 12356
by K. Johnson, National Security Council

5831

[redacted] #3
RHIII 4/29/87

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28 November 1986

MEMORANDUM FOR THE RECORD

The following is a reconstruction of cryptic notes that I have from a 5 December 1985 meeting in DDCI John N. McMahon's Office with then DDI, Bob Gates; D/NESA, [redacted] then ADDO, Ed Juchniewicz; then C/NE Division, [redacted] and I believe then DC/Europe, [redacted]

○ The DDCI requested facts on the following by the next day:

--The political scene in Iran, including any possible dissension, unrest, etc;

--Biography of [redacted]

--Verification [redacted]

--Was it true that Iran was trying to get U.S. [redacted] missiles to knock out Soviet Bear aircraft over [redacted] Iran/Iraq border.

--The status of the Iran/Iraq war, including a prognosis of what each might do and a table reflecting an order of battle for each side.

○ DDCI noted that he would be attending a meeting at 10:00 AM on Saturday, 7 December, with the President regarding the expansion of the informal link between the Iranians and the Israelis;

--He noted that a new "private interlocutor" was working with Israeli Foreign Ministry Official David Kimche;

--Noted that Iran wanted to get closer to the United States and wondered (DDCI) whether this could be a ruse to get Hawk missiles.

○ DDCI noted that Saturday's meeting would take stock of the two-track program now underway: one to free the hostages and the other to expand our ties with Iran. Meetings were planned in Geneva between the United States and Iran in the short term.

Partially Declassified/Released on 26 Jul 87
under provisions of E.O. 12356
by B. Reger, National Security Council

28699

Tab #101

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o [redacted] reviewed what had been done so far:

--One plane load had been sent to the Iranians on 24 November; we did not know if that included Hawk missiles;

--Oliver North was to get to London that weekend for discussions; the following week he was arranging up to five plane loads, including 747s;

--These would probably overfly [redacted] going from Israel to [redacted] to Iran;

--President signed the finding; (I am not certain who at the meeting actually said this) [redacted] 14

--Oliver North was lining up the planes; we don't know how.

o In response to a question about a clearance for the landing rights, someone noted that [redacted] were standing by;

o A question was raised regarding a plane going to Iran from Jerusalem and possibly stopping in Texas; [redacted] No further information was available.

o A review of recent Iranian reporting noted the following:

--No real opposition that we could capitalize on;

--Khomeini seemed to be in better health;

--The economic situation was deteriorating;

--The possibility of a new major offensive could stimulate opposition within Iran;

--Key players were Kimche and the private U.S. citizen--interlocutor.

--Weir released for one plane load; got nothing for second load. [redacted]

--DDCI requested that the source of this information be checked.

o DDCI also requested any intelligence coverage [redacted] [redacted].

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CIA had so far spent [redacted] for a total of [redacted] on the hostage issue. [illegible] emphasized money spent to continue the intelligence flow regarding the location of the hostages was permissible.

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ORIGINAL

Stenographic Transcript of

HEARINGS

HSITS 184 /87

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF JAMES A. BAKER, III

Monday, June 22, 1987

Partially Declassified/Released on 22 DEC 87
under provisions of E.O. 12356
by [redacted] National Security Council
K. JOHNSON

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DEPOSITION OF JAMES A. BAKER, III

Monday, June 22, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Deposition of JAMES A. BAKER, III, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 9:31 a.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

TERRY SMILJANICH, ESQ.

On behalf of the witness:

C. DEAN MC GRATH, ESQ.

Associate Counsel to the President

ED WILSON

MICHAEL SMITH

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1	11

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PROCEEDINGS

Whereupon,

JAMES A. BAKER, III,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION ON BEHALF OF THE SENATE COMMITTEE

BY MR. SMILJANICH:

Q Mr. Secretary, you are currently the Secretary of the Treasury; is that correct?

A Right.

Q And you have served as Secretary of the Treasury since when?

A Since roughly February 3, 1985.

Q And prior to that you served as Chief of Staff to the President?

A That's correct, from January 20, 1981.

Q Up to the time you were confirmed as Secretary of the Treasury?

A Up to the February 3 date, if I'm not mistaken. It may have been February 1, but I think it was February 3.

Q During the late summer of 1981 when you were serving as Chief of Staff did you become aware of a specific program which was term [redacted]

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[redacted]

A I don't have any specific recollection of that, although it might well have come up in connection with a meeting I attended, but I don't specifically recall it today.

Q Putting aside the name of the operation for a minute, do you recall any such activity at that time or discussions concerning the possibility of [redacted]

A I don't have a specific recollection of any such discussions.

Q Pursuant to that program sometime in either late 1983 or early 1984 the [redacted] Did you have any knowledge of those matters?

A As we sit here today I don't have any specific recollection of that, but, as I said, I attended most NSC meetings and of course I attended morning briefings with

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the President, and I can't tell you that the matter was not discussed in a meeting that I attended. I don't recall it.

Q In the summer of 1984 there is some indication that there was an NSPG meeting at which the possibility of third country solicitation was discussed in connection with the Nicaraguan resistance. Do you recall an NSPG meeting at or about that time in which that topic was discussed?

A I recall an NSPG meeting which I thought was in the fall of '84, which was held before the Boland Amendment became effective to discuss the possibility of third country funding for the contras.

Q And who do you recall being present specifically at that meeting?

A Well, I specifically recall that Mr. McFarlane chaired the meeting as the National Security Advisor. The President was in attendance. The Secretary of State was there. And those are the only people that I specifically recall being there, although -- well, those are the only people I specifically recall being there.

Q Do you recall that the possibility of third country funding was the primary focus on that NSPG meeting?

A As I recall it, it was.

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Q This was a full-fledged NSPG meeting and discussion of the matter?

A Yes, it was.

Q Do you recall whether or not any action was taken pursuant to that discussion?

A I do not believe any action was taken.

Q Do you recall the question of the legality of such third country solicitation being discussed?

A Yes.

Q What was your position at that time with regard to the legality of the matter?

A My view was that we should take a very close look at that question and I so stated in the meeting. And it was my view that we could not do indirectly what we could not do directly. My recollection is that a similar reservation was expressed by Secretary Shultz, that the meeting generally concluded with a decision to take a hard look at the legality of third country solicitations.

Q Do you recall what the position of Mr. McFarlane was?

A Well, I think Mr. McFarlane indicated at one point that the NSC considered that such solicitations were legal but, as I recall it, the general view was that before there was any further action there should be another scrub on that question.

Q Was it decided that the Attorney General specifically should take a look at the legalities of that matter?

A I can't recall that, and frankly I don't even recall whether the Attorney General was in attendance at this particular meeting.

Q Do you recall whether or not the closer look at the situation was going to be done by the Attorney General's office as opposed to NSC legal counsel?

A I really don't recall, but it would be my best guess that it would probably have been the Attorney General, since ultimately the Attorney General has to pass on those kind of matters.

Q I had indicated to you a while ago that the notes of Charles Hill, who was Secretary Shultz's special assistant or executive assistant, indicate that in a discussion he had with Secretary Shultz on June 28, 1984, Secretary Shultz told him that at a recent NSPG meeting he had had some reservations about the legalities of third country solicitation and stated that your position at the time was "Jim Baker thinks it's an impeachable offense."

Do you recall having any specific opinion like that or such as that?

A No, I don't recall using that language or having a specific opinion such as that, although I do, as I have stated, recall feeling that we should take a very close look at the question of legality and feeling that we could not do indirectly what we couldn't do directly.

Q Would it be fair to say that your position at that time was that there was, in your opinion, a very good chance that such activity would be illegal under the current state of the law?

A Well, I hadn't examined the law and I was not in a position to pass judgment on it, but I felt that it was important that it be looked at carefully and that it was important, quite frankly, from a political standpoint as well in terms of public support and that sort of thing.

Q Did you have, at that time -- let me just ask you what was your position with regard to the policy of third country solicitation, putting aside the legality of it for a moment? Did you have an opinion?

A Well, I strongly supported the contra -- did and do strongly support the contra effort. I did not really have a specific opinion with respect to the question of third country solicitation as long as there was no question of illegality apart from the public relations and public support and Congressional support aspect.

Q Do you recall whether or not the President had or expressed an opinion at that meeting about either the policy or the legality of third country solicitation?

A I don't recall whether the President expressed an opinion, but the meeting, as I indicated earlier, I think ended in a decision to take a close look at the question of the legality of third country solicitations.

Q I've shown you earlier minutes of an NSPG meeting for May 16, 1986, during which time the subject was again discussed. Do you recall that particular NSPG meeting at which you were in attendance?

A Well, I do now that I've seen the minutes.

Q And at that meeting some further discussion was held about the possibility of approaching third countries for support for the contras; is that correct?

A That's correct.

Q At that point there was a change in the law with regard to whether or not such activity was specifically addressed as being appropriate or not by Congress; is that correct?

A That's correct. Evidently Congress specifically provided for third country solicitation for humanitarian assistance.

Q Having read the minutes, did you recall anything beyond what's contained in the minutes with regard to the positions of the various people in attendance on that issue?

A No.

Q What was your position on that matter at that time?

A Well, to be very honest with you, I'd have to reconstruct my position from the minutes, and my position was that it was important that we do what we could to sustain the contras as a viable force during the implementation of any Contadora agreement, and I see here where I said that it would appear that Congress had changed the law with respect to the question of our approaching other governments for assistance.

MR. MC GRATH: At this point it might be appropriate to mark the minutes as an Exhibit.

MR. SMILJANICH: Sure, why don't we do that?

(The document referred to was marked Baker Exhibit Number 1 for identification.)

BY MR. SMILJANICH: (Resuming)

Q Mr. Secretary, Assistant Secretary Elliott Abrams has referred to this whole subject of third country solicitation as "tin cup diplomacy", and I believe Secretary Shultz has also expressed a general dislike for this as a policy matter. Did you have any opinions one way or another with regard to the overall policy concerning third country solicitation?

A No. I suppose my view would comport with theirs, that it would be far better for the policy to be supported by the legislative branch of government and for the funding to come from appropriations.

Q Did you have or do you have at this time an opinion with regard to whether or not third country solicitations will always give rise to a question of quid pro quos in connection with any contributions?

A I didn't have an opinion then. I was not really involved in the business of third country solicitations. That wasn't my responsibility, and I didn't do any of it.

Q Okay. In the summer of 1984 the evidence is that money began to arrive on behalf of the contras from [redacted] sources. Did you have any knowledge, starting in the summer of 1984, that [redacted] were making any contributions directly for the contra effort?

A None that I can recall.

[redacted]

[redacted]

Q When the matter of third country solicitation was discussed in either the summer or fall of 1984 do you recall or were you aware of any other planning to prepare for the impending cutoff of aid for the contras via the Boland II amendment?

A I don't recall being aware of any. I just simply don't recall it. I can't tell you that there were not discussions involving private assistance and that sort of thing, but I don't recall those and I didn't, the best I recollect, attend any meetings called for that purpose.

Q Do you recall any discussions concerning the involvement of the National Security Council staff on behalf of the contras to fill the breach created by the cutoff of funds to the CIA and Department of Defense?

A No. The only thing I recall involving the National Security Council staff would be the public liaison activities where we would have briefings in the Executive Office Building designed to build public support for the contra policy. Those went back to, I would imagine, the end of '82, start of '83. And those were held by the public liaison people in the White House, not the National Security Council, but they would have National Security Council staffers brief occasionally the diplomatic and military situation.

Q But this was all in connection with a public diplomacy --

A Public diplomacy effort. It was basically run by Faith Whittlesey's shop in the White House.

Q Okay, one last area. Were you aware during your tenure as Secretary of the Treasury, starting in the spring or summer of 1985, up through November of 1986, of any activities on behalf of the United States which have come to be known as the Iran initiative -- in other words, the whole matter involving trading of TOW missiles or HAWK spare parts to Iran in an attempt to get our hostages in Lebanon released?

A No.

Q Anything with regard to our cooperation with the government of Israel in connection with this provision of military supplies or equipment to Iran in connection with getting our hostages released in Lebanon?

A During 1985 and '86?

Q In '85 and '86 specifically.

A Not that I recall, no.

Q You had no knowledge or awareness of the matters which have come to be known as the Iran arms-for-hostage deal? You had no knowledge of it at the time?

A I had no knowledge. I had no knowledge of any dealing with Iran of arms for the release of our hostages, no.

Q What about dealing in arms with Iran in connection with the opening up of a new strategic relationship with Iran?

A No.

Q You were not aware of Mr. McFarlane's visit to Tehran in May of 1986?

A No, I was not.

MR. SMILJANICH: Thank you, Mr. Secretary. That's all the questions I have.

MR. MC GRATH: I would just like to let the record reflect that the Secretary appeared here voluntarily today to cooperate with the Committee and its investigation and that these proceedings will be classified at a minimum of the Top Secret level. We appreciate the Committee's assistance.

MR. SMILJANICH: And we appreciate the Secretary's cooperation in this matter.

(Whereupon, at 9:50 a.m., the taking of the instant deposition ceased.)

____

Signature of the Witness

Subscribed and sworn to before me this __________ day of

__________________________, 1987.

____

Notary Public

My Commission Expires: ______________________________

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CERTIFICATE OF REPORTER

I, Michal A. Schafer, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by ME; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer
NOTARY PUBLIC

My Commission expires: 2/28/90

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Baker Exhibit # 1

Denied in Total

N 10288- 10299 plus N3872-N3878

19 pages

Dated 4 Jun 86

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TRANSCRIPT OF PROCEEDINGS

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UNITED STATES SENATE

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF LIEUTENANT GENERAL PETER G. BARBULES

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Partially Declassified/Released on 1-4-88
under provisions of E.O. 12356
by N. Menan, National Security Council

Washington, D.C.

Tuesday, September 22, 1987

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UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF LIEUTENANT GENERAL PETER G. BURBULES

Washington, D.C.

Tuesday, September 22, 1987

Deposition of LIEUTENANT GENERAL PETER G. BURBULES, called for examination at the offices of the Senate Select Committee, Suite 901, the Hart Senate Office Building, at 9:45 a.m., before LOUIS P. WAIBEL, a Notary Public within and for the District of Columbia, when were present on behalf of the respective parties:

JOHN SAXON, Esq.
Associate Counsel
United States Senate
  Select Committee on Secret
  Military Assistance to Iran
  and the Nicaraguan Opposition.

ROBERT W. GENZMAN, Esq.
Associate Minority Counsel
ROGER LEE KREUZER,
Investigator
  United States House of
  Representatives Select
  Committee to Investigate
  Covert Arms Transactions with Iran.

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COLONEL JOHN K. WALLACE, III, Esq.
Office of the Secretary
Headquarters,
Department of the Army

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P R O C E E D I N G S

Whereupon,

PETER G. BURBULES

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SAXON:

Q Will you state your name for the record, please, sir.

A Peter George Burbules, Lieutenant General, United States Army.

Q And what is your current position, General Burbules?

A Deputy Commanding General for Material Readiness, United States Army Materiel Command, Alexandria, Virginia.

Q And when did you assume your position at the Army Materiel Command?

A I assumed my position, I believe, on the 1st of June 1985.

Q '86?

A Yes, '86. Yes, you're right.

Q And prior to that, sir, what was your position?

A I was Commanding General, Missile Command, Huntsville, Alabama, Redstone Arsenal.

Q And what were your dates of service at MICOM, if you recall?

A It's approximately from May of '85 to late May 1986.

Q Sir, as you know, the area of our inquiry that concerns you has to do with the shipments to TOW missiles that took place from Anniston Army Depot through MICOM in 1986. There were three shipments. The first shipment took place in February, while you were still at MICOM; the second shipment was taking place about the time you were leaving, and the third shipment took place in November, after you were in your current position at AMC.

Then the HAWK shipment tasking came down in early April and was being worked through the month of April of 1986.

Those will be the two things we will focus on.

In a previous meeting with you on June 2, 1987, Roger Kreuzer, a House Staff Investigator, and I met with you. We covered a fair amount of ground which we have put in an interview memorandum which is available for subsequent readers of this deposition, so I'm not going to take the time to cover all of the material in that memorandum, and that was the subject of our earlier discussion, where you were, on what day and who said what to whom.

In terms of the general picture, what we want to do, specifically, is to focus on the pricing questions which attended the first TOW shipment and then some questions about the HAWKS.

Let me ask you, sir, when you became aware that there was a tasking to MICOM to ship TOW missiles to, at the time its customer was CIA.

A As I mentioned to you before, I became aware when Colonel Jim Lincoln, Project Manager for the TOW missile system, came in my office and told me that there was a classified movement under way and that he had concerns about the price that was to be charged on it. He felt that the Army was going to charge too low of a price, and I believe he asked my advice and asked for my support.

Q All right. Let me fill in one or two things, sir.

When he came to you, this was after he had already received the requirement and had begun work; is that correct?

A Apparently so. How long after, I don't know.

Q And in fact, Colonel Lincoln had been told by his point of contact here in Washington, at DA Headquarters, that he should not inform you; is that correct, sir?

A I found that out very late. As a matter of fact, earlier this year, 1987.

Q So, while in a technical sense, Colonel Lincoln may have been countermanding the instructions he was given, he had some concerns and, as his commanding officer, he went to you with those concerns?

A Yes. Apparently that's why I was brought into it so late, because of that caution not to, you know, it was highly classified, not to tell anybody, which I have learned since.

Q All right, sir.

When he came to you, did Colonel Lincoln give you the specifics of the price question that he was concerned about?

A No. Only words to the effect that they're asking us to charge the older price for the missile, whereas the cost to replacing them currently with new missiles would be

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much more, and the Army would end up with fewer missiles in the stockpile.

Q So as best as you recall it, the entire subject for your discussion with Colonel Lincoln had to do with replacement price?

A Right.

Q And for the record, the Army sold to the CIA and subsequently to the Iranians, basic TOW missiles, which were entered in the Army Master Data File or AMDF, at a price of $3169. They had to have safety modifications, the missile ordnance inhibitor circuit or MOIC -- M-O I C -- in order to bring them up to the condition code alpha, which had been specified by the CIA.

Unbeknownst to certain parties involving these transactions, when the Army realized, in the early '80s, that certain of its basic TOWs had to have the safety modification, MICOM officials created a new national stock number and a new price for the basic TOW that went into the AMDF, which had a MOIC.

Rather than taking $3169 and adding $300 and getting $3469, which seems logical to do, the decision was made, as we have subsequently learned, to add to the entry price of

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$3169, some inflation in the price for the subsequent purchase of basic TOWS, along with one other factor, having an eye to the cost of conversion, the cost of the MOIC, in order to create a higher price for the basic TOW with MOIC of $8435. And the price of $8435 is separate and distinct from the replacement cost of selling a basic TOW and replacing it with, say, TOW-II, at a price of $11,000.

So if you will follow that analysis, let me ask this question:

When Colonel Lincoln came to you, as I understand your testimony, he was saying, we're selling basic TOWS. We're getting" -- he may not have said $3469 or $3500 -- but "we're getting a price in the low range. We're going to have to replace them with I-TOW or TOW-II, and that costs a lot more."

Is that the way he put it to you?

A Yes. Did not discuss any specific dollars. Didn't get into those details. Just the basic concept of original acquisition costs versus replacement costs.

Q Just to make sure, then, that we understand your testimony for the record, he did not talk about the fact that there had been a discovery of a second price for

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the basic TOW with MOIC?

A No, he did not.

Q All right, sir.

And if I understand your testimony, at no time when Colonel Lincoln came to you in his discussion, were specific price amounts discussed.

Is that correct?

A That's correct.

Q Did you have a general knowledge at the time of these transactions and at the time you had a discussion with Colonel Lincoln, that when the Army took a basic TOW and put the MOIC on it, that that changed its national stock number and gave it a new and higher price?

A No, I did not know that. Nor, as I testified to you before, did I know anything about a MOIC, in that I'm not a missile expert. I was sent down there to assist in their procurement programs, and I did not know the details of those missile systems.

Q All right, sir.

I want to ask you for an opinion, and I clearly denominate this question as an opinion question.

In your opinion, from the time you spent at MICOM and the many years of service in the Army, should someone who was in a position of being the Project Manager for the TOW Office have been familiar with the details of pricing of the missiles under his control, or are those the kind of details that people working for him would better be expected to know?

A People working for him better understand that, because you have to understand the Project Manager as generally a very small office, and he is supported more or less by the large Commodity Command, the major support command, and all the staff there, and they're the ones that provide the expertise.

For example, he does not have item managers under his control. They work for the Material Management Directorate. He doesn't have any lawyers under his control. They work with the Legal Department. He doesn't have quality assurance specialists, except maybe just one representative. Those work for the Quality Assurance Directorate. So he draws his support from the major Support Command and deals mainly with programmatic issues, you know, costs, scheduling, and technical performance in a broader sense, leaving the details to experts in that area. And it's a very complex business, as you found out, and just think, it would be unreasonable to expect the Project Manager to know the details of the individual costs of individual parts of his weapons.

Q What I would like to do now, General, is to show you a few of the documents that create a paper trail on the TOW transfers. I have no reason, necessarily, to expect that you have ever seen these and, in fact, if you haven't, that would not only not surprise us, but probably, given your level, would make perfectly good sense that you have never seen them.

What I would like to do is have marked as Deposition Exhibit 1, and give that to you and give you a chance to look at it, but before you do, let me tell you what you're looking at. You are looking at the Material Release Order or MRO, as it's called, which is a standard MICOM form, that was prepared for each of the three coshipments, and I'll give you a moment to glance at that.

(Burbules Deposition Exhibit 1 identified.)

THE WITNESS: Yes, I think I can answer your question now. I did not see these while I was at the Missile Command. I did not see them in any aspect of my involvement in this affair. I think I saw them when Mr. Mike Sandusky, of our headquarters, was doing his investigation, his after-the-fact investigation. He tried to assist the Department of Army Inspector General and ourselves in reconstructing the cost history. I think he may have flashed these by me in showing me how he was reconstructing the price history. This is all after-the-fact.

Q What I would like you do is take a look at, while some of this material is second and third and fourth generation copies and some things are blurred, if you would look at the quantity block of the 1000 that lets us know we're looking at the first shipment.

If you look at the National Stock Number block, the last four digits which are 1512, your specialist at MICOM will tell you that 1512 -- that's how they refer to it -- is the shorthand form for the basic TOW with the MOIC. Then if you look at the unit price that's been entered at $8435, this is the first document that was created when the tasking came down from Washington to MICOM. This document was the basic release order in order for Anniston Army Depot to begin work, and the information on it was flown down from Redstone to Anniston Army Depot, and I understand a hard copy followed.

If you turn the page to the second copy, this is dated 16 May, for the second shipment of 508 TOWS, and

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likewise, the $8435 price appears therein.

The last page is for the third shipment of 500 TOWS, and it has a price of $8164, which is different from the $8435, because of the I-TOW conversion that was done, and that shipment took place after you were gone. But the point from these documents is that someone at MICOM, working in the TOW Project Office, who prepared this Material Release Order clearly knew that a basic TOW with MOIC cost $8435.

I take it from you saying you haven't seen this, you also were never made aware that that was the price put in the basic work documents at MICOM.

A No, I was not. And I can't even read the signatures, but I see Mr. John Finafrak's name here, and he doesn't work for the Project Manager. He was in the Materiel Management Directorate, as I mentioned to you before. What I'm saying is, that possibly this document was prepared in the Material Management Directorate, not in the TOW Project Office.

E1

Q All right, sir. Let me ask you to look at the second exhibit and ask that be marked.

This was prepared at Anniston Army Depot and, again, there's no reason to believe you would have seen this document,

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but it is the Ammunition Planning Work Sheet.

Let me simply ask you first if you have ever seen, generically, an Ammunition Planning Work Sheet or are familiar with its use.

A No.

(Burbules Deposition Exhibit 2 identified.)

BY MR. SAXON:

Q Sir, if you would look in the quantity block here, you see quantity of 1000. This is for the first shipment of TOWS. The stock number shows the 1512, which means it's a basic TOW with MOIC, and the unit price -- this is all 1000, so you if you do some quick division and drop the zeros, you see the unit price is $8435.

A That tracks back to the $8435 that was on the Material Release Order.

Q Yes, sir.

Now, as the folks at Anniston Army Depot then began to work the requirement, they generate the next document in the trail, and that is a standard transfer document which is on DD Form 1348. I'll give you that.

A 21 January or February? I can't read that.

Q January.

A January. Okay.

Q This is a copy -- and I ask that be marked as Exhibit 3 -- of the first iteration of DD Form 1348, which, as you see, is from Anniston Army Depot to Redstone, and if you look in the quantity block, you see we've got 1000 missiles, and the stock number again is the 1512 or basic TOW with MOIC, and the unit price in the upper right-hand corner is $8435.

So again, the people at Anniston who were working this apparently knew that a basic TOW with MOIC had that price or had simply taken that price that came down from the MRO.

A I don't know where they get the price, nor do I really know where the people at MICOM got the price, nor do I know that that price is necessarily correct.

Q Well, after the fact, a number of people have concluded that the price is not correct in terms of how it went into the AMDF. At the time, it was the correct price, according to the Army Master Data File for basic TOW MOIC, and having interviewed and deposed the person who prepared that Material Release Order, he said he took that figure not so much from the AMDF, but from his head, because he worked

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with the TOWS all the time and knew that the basic TOW with MOIC had the price of $8435.

A Again, you say "the correct price," but I believe you're saying it was the correct price, because it was in the AMDF. But because it was in the AMDF does not necessarily mean that it's the correct price. Errors are made.

Q Yes, sir. But my understanding is that no one knew that errors had been made in entering that price and that was the price people worked with.

A Presumed to be the correct price.

Q Yes. I think that's a better way to put it. It's the presumed correct price at the time.

Let me have you look now at the next exhibit and ask that this be marked as Exhibit 4.

(Burbules Deposition Exhibits 3 and 4 identified.)

BY MR. SAXON:

Q This is a series of the same document, and the reason it's a series is, this is for the first shipment of 1000, but each document represents a breakdown of a certain portion of lot of that 1000, and this was signed at MICOM by Mr. Chris Leachman, who at the time was the head of

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logistics for the TOW Project Office. He is now the TOW Project Deputy. And if you look at the unit price block and track that all the way through on all of them, you will see that --

A I don't see a unit price on the top one.

Q That has been left blank, yes, sir.

A I see. What are the dates of these, relative to the dates of the first ones we saw? This is 29 January.

Q Yes, sir; that's correct.

A And the other one is 21 January?

COL WALLACE: Yes, sir.

THE WITNESS: Have you looked into the possibility that the folks may have started to move out on this, because it was a rush shipment, started to move out, assigning prices, and have you looked into the possibility that disputes over prices occurred after these documents had been cut?

MR. SAXON: We have looked into just about every possibility, and I don't mean to be glib about it sir, but to ascertain when the prices entered into the document, when a price disappeared from the documents.

BY MR. SAXON:

Q I guess the thing that strikes us at least curious

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is that in Exhibit 4, we have no price. Not that it isn't $8435, but that it isn't even $3469, which is a price that everyone at MICOM says they were working with, in terms of the shipment.

A I think it's a reasonable observation, and you probably have asked why was the price omitted.

I don't know why the price is omitted on this document.

Q And I take it that this would be the first time you have been made aware that when the transfer document gets to MICOM, and Leachman, on behalf of MICOM signs for the TOW, that there is no price in the unit price block?

A No, I'm not aware of those details.

Q All right, sir. The final document is to show you what happens when individuals from the Department of Army Logistics Office, and in particular, Major Chris Simpson, who is the Action Office for this, working under General Russo, Simpson arrives on the scene at Redstone to physically take possession of the missiles for the Army and then transfer them to the CIA.

I'd ask you to take a look at this document and have that marked as Exhibit 5.

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(Burbules Deposition Exhibit 5 identified.)

BY MR. SAXON:

Q If you notice a signature at the bottom of Major Chris Simpson -- and all of these documents have been declassified in this redacted form, and we have blacked out that particular name, but underneath has been put the letters "CIA," and the particular individual who signed on behalf of the CI, and then the price reappears in the price block, and it's $3469.

Let me just ask, for the record, if you have ever seen this document before.

A No, I have not.

Q And have you had any awareness of the fact that that particular price was entered?

A No. Again, I had no involvement in those times with the detail prices, other than the initial acquisition cost and replacement value on those.

Q Now when the issue of replacement cost was flagged for you by Colonel Lincoln, what action did you take? Did you, in fact, have a phone conversation with General Russo?

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A I believe I did and expressed our concerns, and, as I mentioned to you last time, General Russo noted my concerns, and he said he'd look into it. And again, reaching back in memory, I don't know how I found out, whether he called me back or whether a message was sent out or whether Colonel Lincoln came back in and told me that Department of the Army had decided to go with the lower price, the original acquisition cost. And I accepted that as a decision by my higher headquarters, a decision by competent authority and dropped the matter.

Q And was it your understanding that the issue of replacement cost in whatever way it was done up here had been considered, but basically rejected?

A Yes.

Q When you talked with General Russo, did he tell you anything about the nature of the consideration that would be given, by whom it would be considered?

A Nothing. I knew of this only as Operation Snowball, didn't know anything about the CIA's involvement. Frankly, I thought it was a classified FMS sale directly to a foreign government.

Q Well, we certainly know it was classified and it

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was directed to a foreign government.

A No, directly, directly to a foreign government. Not directed.

Q Did General Russo indicate to you anything about a ceiling, which the customer had to operate with or for which reason it might be difficult to get a replacement cost?

A No.

Q Did he indicate to you that the issue of a replacement cost had already been pressed forward by the Army and been rejected?

A No.

Q None of that?

A No. Merely that he would look into it, as I recollect.

Q Did you mention to General Russo at that time what any of the replacement cost would be?

A No. Because I didn't know what the replacement cost would be. Just that it probably would have been substantially higher.

Q And he didn't ask what the specifics would be, in terms of replacement cost?

A No, not to my recollection, anyway.

Q I'm ready to move off the TOW subject.

Is there anything else that you think we should know, sir?

A No, I can't think of anything that I can add.

MR. SAXON: Bob? Roger?

MR. GENZMAN: Nothing.

BY MR. SAXON:

Q What I'd like to do now, briefly, General, is go to the subject of the HAWK missile repair parts. Let me simply ask you for the record when you first became aware that MICOM was involved in what we now know was a follow on to the TOW requirement, with the same intermediate customer being the CIA and the same ultimate customer being Iran.

When were you first made aware that there was a HAWK requirement?

A This year, after I had come up to this headquarters and when the situation broke and the investigations were begun. Only then. And frankly, I learned about it, I guess, on the television when there were allegations about -- actually, as I learned it first, they were HAWK missiles, I think was what the TV program said. And I knew nothing about that.

Q In fact, as we now know, there were actually HAWK missiles shipped from Israel to Iran in November of 1985 in a quantity of 18, 17 of which were returned to Israel, and there were ultimately to have been 120 shipped, but in terms of our particular focus with you, it's the HAWK equipment repair parts that MICOM was tasked with providing on April 10, 1986.

A The HAWK Project Manager did not inform me while I was down there that this was going on. I can't speculate why. Perhaps he was under the same cautions of secrecy. In any event, I was in the process of departing the Command. I had been selected for promotion, and I was in the process in early or mid-May of departing Missile Command.

Q For the record, do you recall who the Project Manager was at the time?

A Yes. Colonel Sam Liberatori -- L-i-b-e-r-a-t-o-r-i.

Q I take that from your testimony then, not only did you not know that a requirement had been passed down by headquarters of the Department of the Army to the HAWK Project Office on ground equipment repair parts, but that no one in the time you were there, admittedly, as you were transiting to your new assignment, no one ever brought to your

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attention the fact that there might be some readiness impact from the provision of these repair parts?

A No.

Q Let me walk you through what we now understand to be some of the facts of the transaction and see if you could render us a judgment from the roughly two years you spent as MICOM Commander.

A I was only there about eight or nine months.

Q I see. That's correct. From August 9, 1985, to May of '86.

When the requirement was imposed on MICOM on April 10, a list was transmitted, fax'd from AMC, which had gotten a list from Major Simpson, who had gotten it from his CIA counterpart, who had gotten it from Colonel North, who had gotten it from Mr. Ghorbanifahr, who gave it to North in Paris in March of 1986. And in fact, Ghorbanifahr got it directly from the Iranians. So that's the trail of this list of HAWK repair parts. It gets down to MICOM, and as best we can determine, the officials in the HAWK Project Office did a terrific job, one heck of a job, on short notice, and with a lot of pressure, to cast about and see where these parts were, the location, the availability, the quantities in

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which they were available and any possible readiness impact, if they were provided in full in those quantities.

The same day, or later in the evening, that information was fax'd from Redstone Arsenal up to Department of the Army, at which time it was determined -- the Iranians had asked for 234 line items of HAWK repair parts. It was determined that if they met all of the quantities requested on the ones that they could locate -- and only 221 repair parts could be located -- that there would be a potential readiness impact on either 46 or 47 of the items.

The actual list provided us by MICOM said 47; the DA IG said 46. The breakdown on those numbers comes from the DAI IG. I don't have the additional item. I think the number is 47. The DA IG breaks down to 46, as follows:

On 15 of the items, it would deplete our inventories 100 percent, if we met all of the requirements on requested quantities. On 11 of the items, it would deplete them in excess of 50 percent, and on 20 of the items, it would be less than 50 percent, but still significant depletion.

That information was provided to the Department of the Army. As MICOM then worked with Simpson, over the matter of a few days, they argued about various quantities. The numbers as to quantity were actually reduced, so the impact was not only with reqard to the 46th or 47th items, because all of those materials were not provided.

Let me stop at this juncture and ask you, for the record. I assume you were never made aware of any of this information?

A No, I was not.

Q All right, sir.

What happens next is that Major Simpson is told by John Chapman and Billy Reyer, as MICOM, that with regard to the quantities that he says they should provide, that there would be significant depletion as to 10 or 12 items, and in fact, 100 percent depletion as to 10 or 12 items, which they thought would have an adverse impact on readiness.

Major Simpson discusses that with General Russo. There's some back and forth between Simpson and his CIA counterparts and, in essence, the CIA says that you must ship all of the quantities requested. Simpson then, on April 23rd, prepares a "must ship" list that is fax'd down to MICOM, and they realize that they have to provide the quantities that are requested.

The ultimate conclusion that has been presented us by appropriate officials at MICOM who work with the HAWK, ard then the supervisors of those individuals, was that we did actually provide 10 to 12 items that totally depleted our inventories, and there was a readiness impact on some of those items, that, in particular, where there was a serious readiness impact on one of the items, that they put it in a [redacted]

The Iranians had asked for [redacted] of these items. We only had [redacted] in our inventory. The MICOM officials with whom we spoke protested and did not want to provide those.

In essence, the CIA overruled the Army and [redacted] had to be provided.

The make whole date that MICOM has give, if we accelerate the procurement pipeline from the vendor which, in this case is the Varian -- V-a-r-i-a-n -- Corporation and accelerate those that are down for maintenance and repair,

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is not until 1989.

I would simply ask for the record, if any of this was ever brought to your attention?

A No.

Q Let me ask you now for an opinion, so I clearly denominate that.

If anyone had come to you in this time period, whether you were exiting or not, if, as MICOM Commander, this had been brought to your attention -- and we clearly understand it wasn't -- would it have given you any pause, and would you have taken any action if your specialist told you it would deplete your inventory as to this one part being a high risk category, and we wouldn't have a [redacted]

A You bet. I'd have gotten on the phone, just as I did in the other case, and voiced my objections; however, I understand that there are national policy objectives that may have equal important considerations, such as in 1973, in the Israeli-Eqyption War. We drew down a lot of our stocks in support of the Israelis.

Yes, that too hurt our readiness, but the idea is, you know, meet the national policy objectives, and the whole

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matter of defense is one of calculated risk with respect to investments and how much you buy and how many days' supply you have on hand and where to position it, and so forth.

Those risks have to be weighed along with side by side our national policy objectives, and I can only trust that somebody who is a patriot and interested in the national defense and interested in the survival of this nation appropriately considered this at the appropriate level and made the decision that the national policy objectives were worth the risk of a temporary drawdown of readiness.

Q So, if I understand your testimony, it's not simply a matter of saying readiness might be impacted; we have to look at the broader national policy objectives. But you also seem to be saying that you hope that that would be a deliberative process and that the people making that decision are clearly aware of the alternatives when they do so.

A Precisely.

MR. SAXON: I think that's all I've got on the HAWK repair parts.

Any further questions?

(No response.)

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MR. SAXON: General, let me say, for the record, you have been very helpful today and very helpful when we saw you in June.

You would probably have been more helpful if anyone had thought to share any of this with you at the time, but that's not of your doing.

We appreciate your testimony and on behalf of both committees, let me simply thank you.

THE WITNESS Thank you.

And I stand ready to assist in any way you may request in the future.

(Whereupon, at 10:25 a.m., the taking of the deposition was concluded.)

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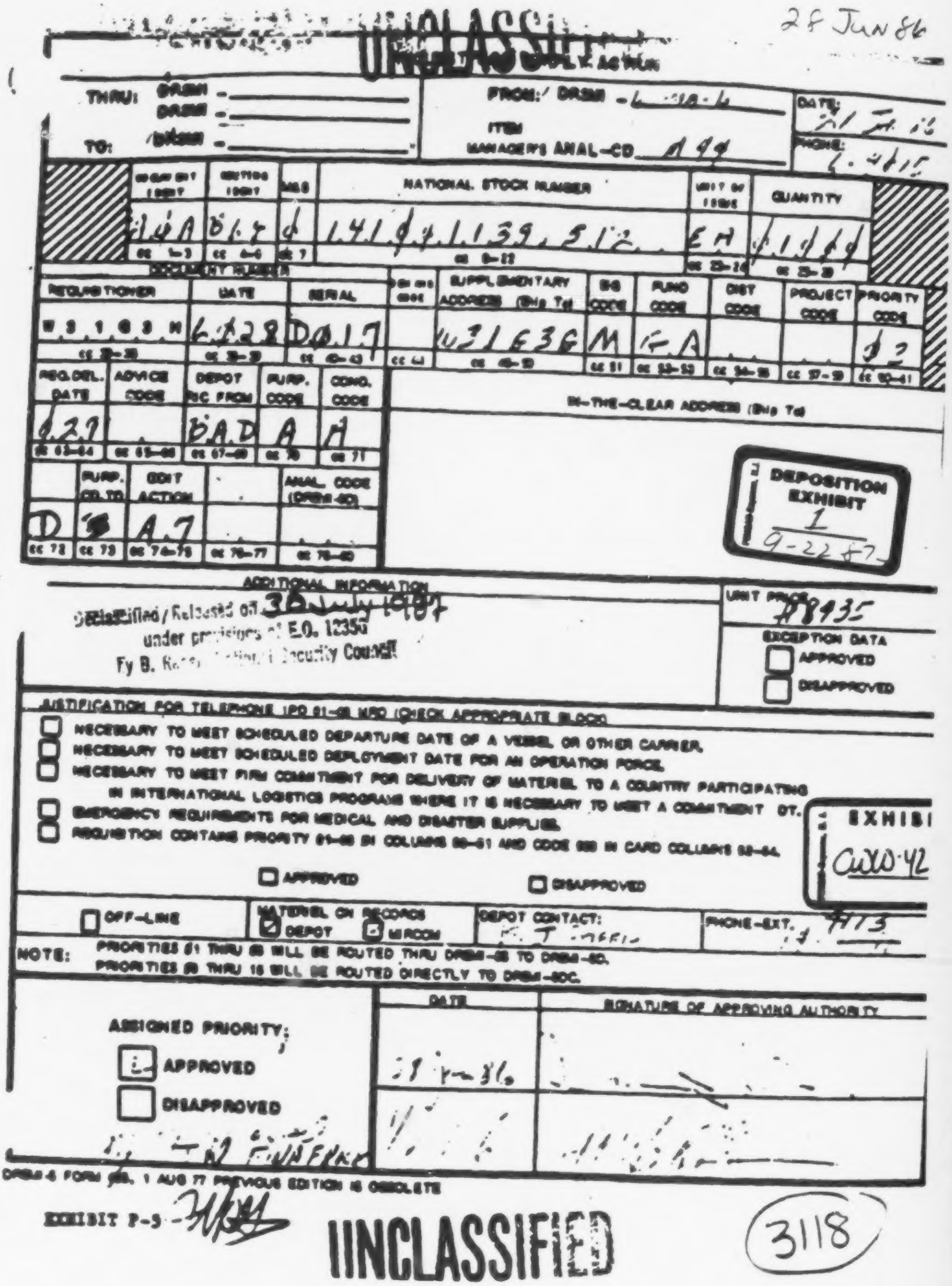

28 Jun 86

UNCLASSIFIED

SUPPLY ACTION

THRU: DRSMI - ________

DRSMI - ________

TO: DRSMI - ________

FROM: DRSMI - [illegible]

ITEM MANAGER'S ANAL-CD A44

DATE: 28 Jun 86

PHONE: [illegible]

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
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cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29

DOCUMENT NUMBER

REQUISITIONER	DATE	SERIAL	DEMAND CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
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cc 30-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ. DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
027		BAD	A	H
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

	PURP. CD. TO	EDIT ACTION		ANAL. CODE (DRSMI-SC)
D	[illegible]	A7		
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

IN-THE-CLEAR ADDRESS (Ship To)

DEPOSITION EXHIBIT 1 9-22-87

ADDITIONAL INFORMATION

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
By B. Re[illegible], National Security Council

UNIT PRICE 78935

EXCEPTION DATA

☐ APPROVED

☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE IPD 01-03 NSD (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.

☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.

☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.

☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.

☐ REQUISITION CONTAINS PRIORITY 01-03 IN COLUMNS 60-61 AND CODE 999 IN CARD COLUMNS 62-64.

☐ APPROVED ☐ DISAPPROVED

EXHIBI

AWO-42

☐ OFF-LINE

MATERIEL ON RECORDS ☑ DEPOT ☑ MIRCOM

DEPOT CONTACT: [illegible]

PHONE-EXT. 7773

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SC.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SOC.

ASSIGNED PRIORITY:

☑ APPROVED

☐ DISAPPROVED

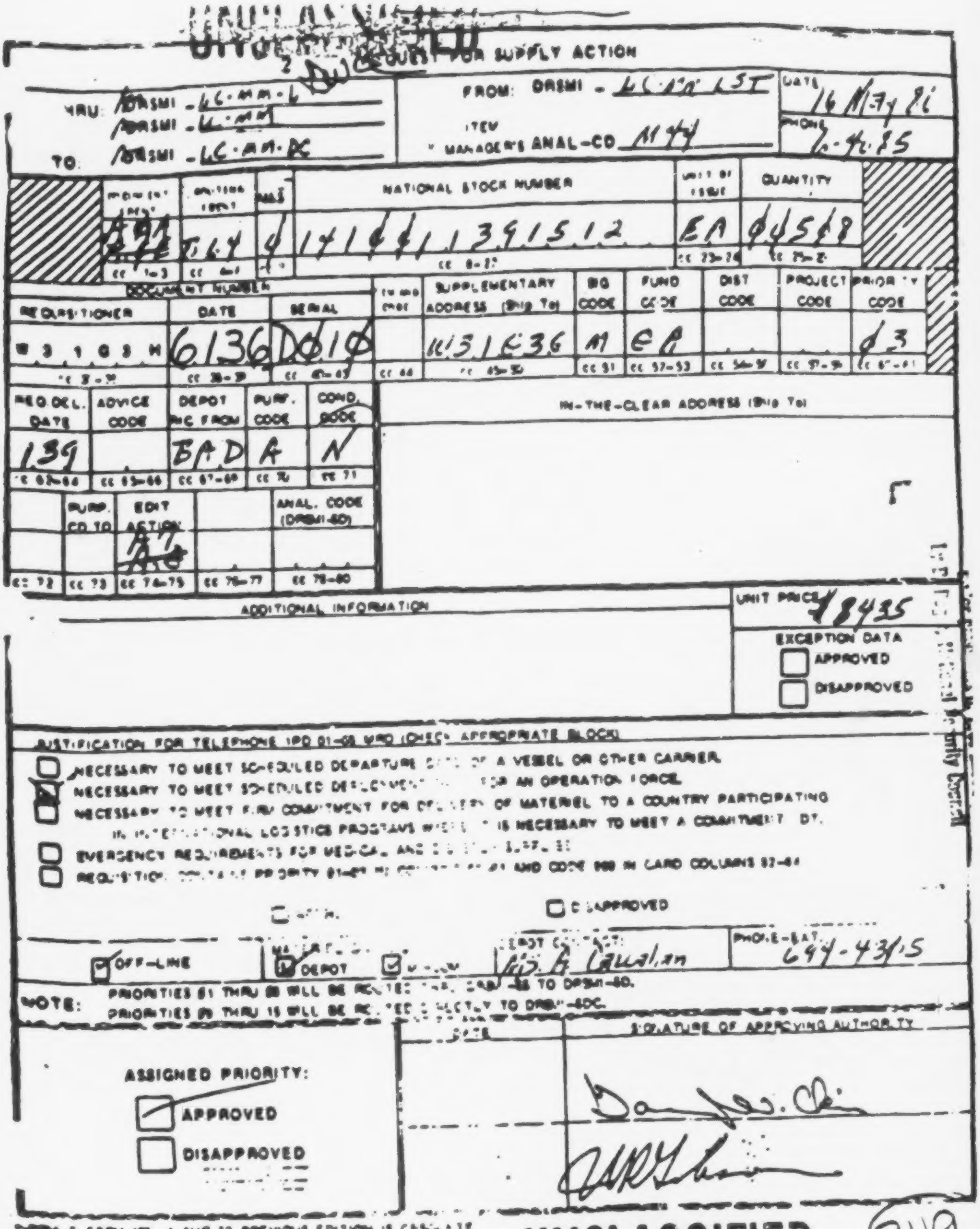
DATE	SIGNATURE OF APPROVING AUTHORITY
28 Jun 86	
[illegible]	

DRSMI-S FORM 525, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

EXHIBIT P-5

UNCLASSIFIED

3118



UNCLASSIFIED

REQUEST FOR SUPPLY ACTION

THRU: DRSMI - LC-MM-L
DRSMI - LC-MM
TO: DRSMI - LC-MM-DC

FROM: DRSMI - LC-MM-LST
ITEM MANAGER'S ANAL-CD M44

DATE 16 May 81
PHONE 6-4135

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY	
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cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29	

DOCUMENT NUMBER

REQUISITIONER	DATE	SERIAL	DEMAND	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
W31G3H	6136	D010		W31E36	M	ER			03
cc 30-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ. DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
139		BAD	A	N
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

	PURP. CD TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
		A7		
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

IN-THE-CLEAR ADDRESS (Ship To)

ADDITIONAL INFORMATION

UNIT PRICE $18435

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01-03 MRO) (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☒ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND [illegible] SUPPLIES
☐ REQUISITION CONTAINS PRIORITY 01-03 [illegible] AND CODE 999 IN CARD COLUMNS 62-64

☐ APPR. ☐ DISAPPROVED

☑ OFF-LINE
MATERIEL: ☑ DEPOT ☑ [illegible]
DEPOT CONTACT: Mrs. B. Caughran
PHONE-EXT. 694-4315

NOTE: PRIORITIES 01 THRU 08 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE

SIGNATURE OF APPROVING AUTHORITY

DRSMI-S FORM 466, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

EXHIBIT P-17

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3119

★ REQUEST FOR SUPPLY ACTION D 9257

THRU: DRSMI - ____
DRSMI - ____
TO: DRSMI - ____

FROM: DRSMI - ____
ITEM MANAGER'S ANAL-CD ____

DATE:
PHONE:

DOCUMENT IDENT	ROUTING IDENT	M&S	NATIONAL STOCK NUMBER	UNIT OF ISSUE	QUANTITY
A E	[illegible]	1	1410-01-[illegible]	EA	[illegible]
cc 1-3	cc 4-6	cc 7	cc 8-22	cc 23-24	cc 25-29

DOCUMENT NUMBER

REQUISITIONER	DATE	SERIAL	DEMAND CODE	SUPPLEMENTARY ADDRESS (Ship To)	SIG CODE	FUND CODE	DIST CODE	PROJECT CODE	PRIORITY CODE
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cc 30-35	cc 36-39	cc 40-43	cc 44	cc 45-50	cc 51	cc 52-53	cc 54-56	cc 57-59	cc 60-61

REQ. DEL. DATE	ADVICE CODE	DEPOT RIC FROM	PURP. CODE	COND. CODE
307		BAI	A	N
cc 62-64	cc 65-66	cc 67-69	cc 70	cc 71

	PURP. CD TO	EDIT ACTION		ANAL. CODE (DRSMI-SD)
			RP	
cc 72	cc 73	cc 74-75	cc 76-77	cc 78-80

IN-THE-CLEAR ADDRESS (Ship To)

Materiel To Be Shipped To Arrange at Redstone Arsenal, AL NLT 1400 hrs 8L307. BC at Redstone is George Collier AV: 746-5701/4185 or [illegible] Coward AV: 746-4085/7609. Ship Instructions Same as Their [illegible]

ADDITIONAL INFORMATION

Special Project -

UNIT PRICE 7764

EXCEPTION DATA
☐ APPROVED
☐ DISAPPROVED

JUSTIFICATION FOR TELEPHONE (PD 01-03 NRD (CHECK APPROPRIATE BLOCK)

☐ NECESSARY TO MEET SCHEDULED DEPARTURE DATE OF A VESSEL OR OTHER CARRIER.
☐ NECESSARY TO MEET SCHEDULED DEPLOYMENT DATE FOR AN OPERATION FORCE.
☐ NECESSARY TO MEET FIRM COMMITMENT FOR DELIVERY OF MATERIEL TO A COUNTRY PARTICIPATING IN INTERNATIONAL LOGISTICS PROGRAMS WHERE IT IS NECESSARY TO MEET A COMMITMENT DT.
☐ EMERGENCY REQUIREMENTS FOR MEDICAL AND DISASTER SUPPLIES.
☐ REQUISITION CONTAINS PRIORITY 01-03 IN COLUMNS 60-61 AND CODE 999 IN CARD COLUMNS 62-64.

☑ APPROVED ☐ DISAPPROVED

☐ OFF-LINE

MATERIEL ON RECORDS ☐ DEPOT ☐ MIRCOM

DEPOT CONTACT:

PHONE-EXT.

NOTE: PRIORITIES 01 THRU 03 WILL BE ROUTED THRU DRSMI-SS TO DRSMI-SD.
PRIORITIES 09 THRU 15 WILL BE ROUTED DIRECTLY TO DRSMI-SDC.

ASSIGNED PRIORITY:
☑ APPROVED
☐ DISAPPROVED

DATE	SIGNATURE OF APPROVING AUTHORITY
[illegible]	[illegible]

DRSMI-G FORM 468, 1 AUG 77 PREVIOUS EDITION IS OBSOLETE

[illegible] on 30 July 83
[illegible] of E.O. 12356
[illegible] National Security Council

P- 20

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30 JAN 86

UNCLASSIFIED

TCN W31G3M 6020 0017X2X
[illegible] 020 TP 1
W31G17 ANNISTON ARMY DEPOT FGA
ANNISTON, ALABAMA 36201-5

[illegible] TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
[illegible]
REDSTONE ARSENAL, ALABAMA 35898

POP ADDRESS
W31P3B
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

DOT LABEL EXPLOSIVE A FLASH PT
DOT PLACARD EXPLOSIVE A DOT PERMIT
DOT CLASS CLASS A EXPLOSIVES CG CLASS B-C
R M GRAZIANO MIL AIR 9-55
FIRE FIGHT INSTR GP 4 TRANSIT IN STG
OUTLOAD DWG NO PSC 2 SHIP DOD 5100.76M
RELEASE REQ NO RELEASE NO
TYPE SIZE EQUIP ORD FURNISH
CARRIER INITIAL AND SERIAL NO DATE
PALLET WT DUN WT WT
COVER WT SEAL NO HOLD DELAY

UNIT MATERIAL MARKING DESCRIPTION VEH PLACARDED FULL FUND COL
ROCKET AMMUNITION W/EXPLOSIVE PROJE WP EXP WT 11.0 WP QTY 00001 WT 09.00 CU 4.000
CHIEF CLASS A EXPLOSIVE WPK/PAL PW PC

SHIPMENT NUMBER	STOCK NUMBER	RIC	SHIP QUANTITY	CC M	TOTAL PRICE	EXT WT	EXT CUBE	ST/COMP	COLOR	CORNER MARK
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NOMENCLATURE MILEAGE FACTOR 0109 U/I FA PALLET DIM 00.00 00.00 00.00
GUIDED MSL SUR ATK BGM-71A-2 U PKG SIZE 04.00 01.00 01.00
MFF CARGO DESCRIPTION PROPELLANTS CLASS B UFC 49093 SCIC P QUANTITY DISTANCE CLASS 1.1

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SELECT FROM SERVICEABLE STOCK
WITH CORRECT & LEGIBLE MARKINGS.
MARK, BAND, PALLETIZE, TAG &
PLACARD AS REQUIRED. ( )

ADMINISTRATIVE CLEARANCE
NO INSPECTION CONDUCTED. ( )

SURVEILLANCE CLEARANCE
SUSP. ARMY ( ) NAVY ( ) [illegible]
CONDITION CODE-
DATE-
SIGNATURE
REMARKS

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

Paperwork Typed

EXHIBIT
CWW-43

2911

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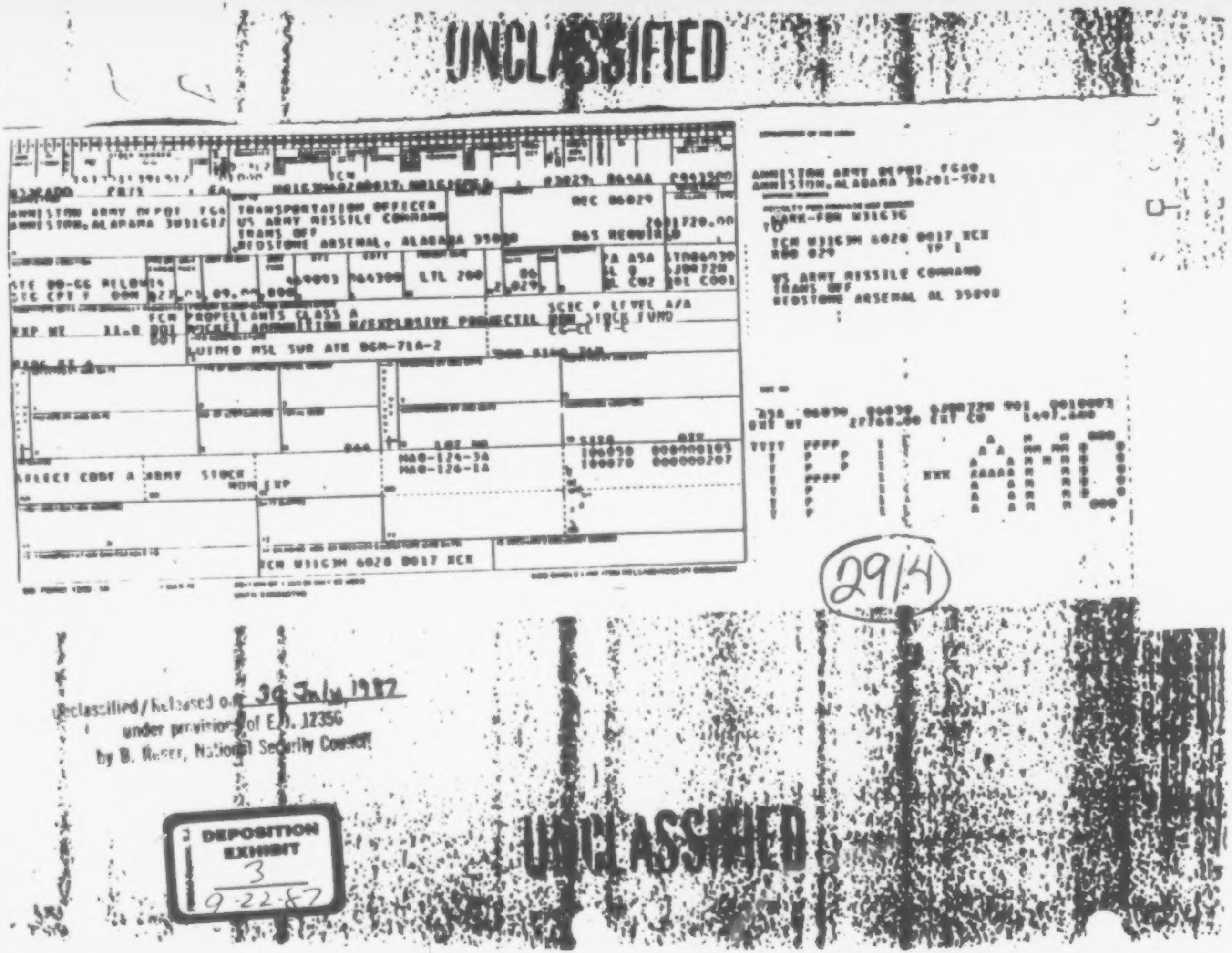
DEPOSITION
EXHIBIT
2
9-22-87



UNCLASSIFIED

3C JAN 86

TCN

ANNISTON ARMY DEPOT FG00
ANNISTON, ALABAMA

TRANSPORTATION OFFICER
US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL, ALABAMA 35898

REC 86029

DOS REQUIRED

LTL 200

PROPELLANTS CLASS A
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SCIC P LEVEL A/A

EXP WT 11.0

GUIDED MSL SUR ATK BGM-71A-2

SELECT CODE A ARMY STOCK
NON EXP

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MA0-126-1A

TCN W31G3M 6020 0017 XCX

ANNISTON ARMY DEPOT FG00
ANNISTON, ALABAMA 36201-5021

MARK-FOR W31G3G
TO
TCN W31G3M 6020 0017 XCX
RDD 029 TP 1

US ARMY MISSILE COMMAND
TRANS OFF
REDSTONE ARSENAL AL 35898

TPI-AMO

29/4

Declassified/Released on 30 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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9-22-87

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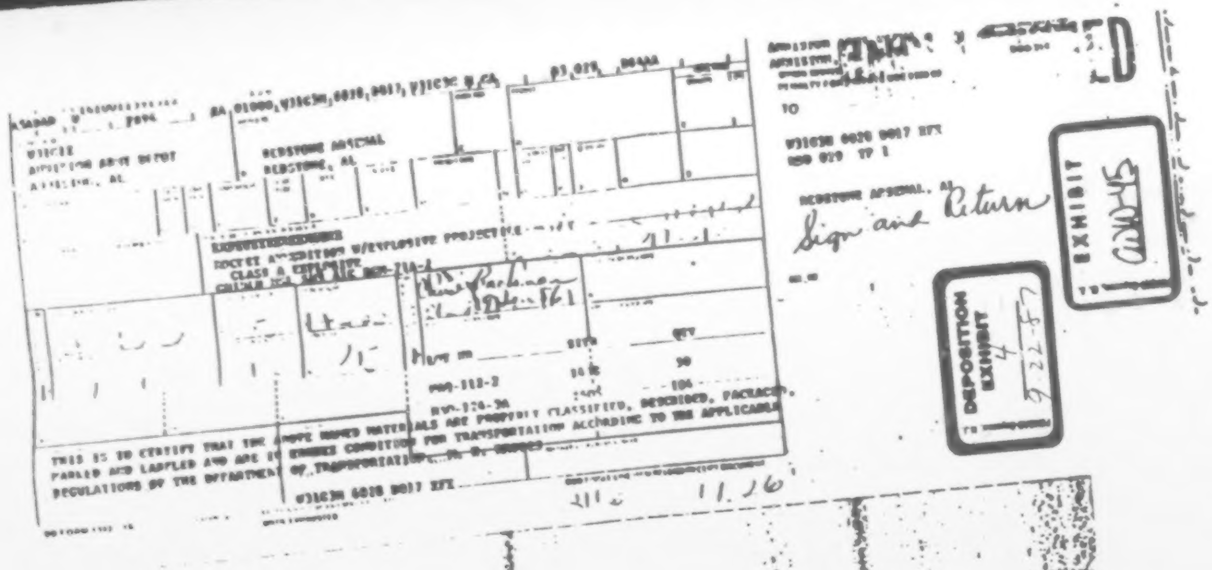

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W31G1E
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE

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106

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REDSTONE ARSENAL, AL

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DEPOSITION EXHIBIT 4 9-22-87

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CLASS A EXPLOSIVES

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2905

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W31C17
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ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET [illegible] /EXPLOSIVE PROJECTILE :
CLASS A EXPLOSIVE

SELECT CODE A [illegible] STOCK

LOT NO SIZE QTY
NAD-106-ZA 1903 156

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W31G3M 6020 0017 XAX

ANNISTON, AL 36201
OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE $300

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W31G3R
ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE

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LOT NO.	SIZE	QTY
MPJ-ICG-2A	1400	109

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TO

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ANNISTON ARMY DEPOT
ANNISTON, AL 36201

REDSTONE ARSENAL
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ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE

LOT NO	SIZE	QTY
RAQ-106-2A	1403	95
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R. B. [illegible]

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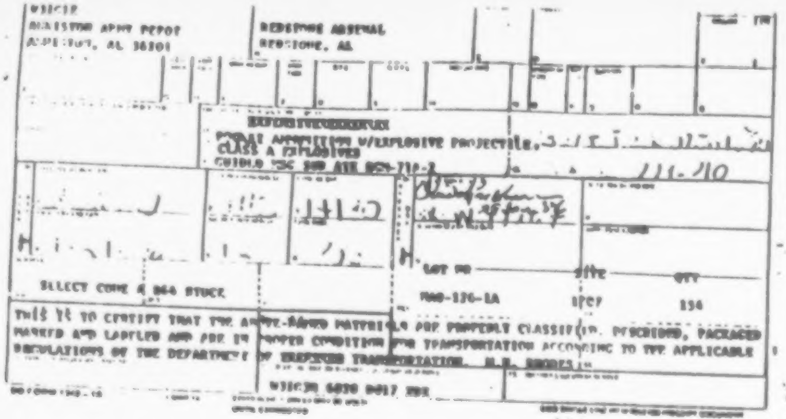

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ANNISTON ARMY DEPOT
ANNISTON, AL 36201

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE,
CLASS A EXPLOSIVES
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SELECT CODE A 064 STOCK

LOT NO — SIZE — QTY
MAA-126-LA [illegible] 134

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TO

W31G3N 6030 0017 XXX

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ANNISTON ARMY DEPOT
ANNISTON, AL

REDSTONE ARSENAL
REDSTONE, AL

ROCKET AMMUNITION W/EXPLOSIVE PROJECTILE
CLASS A EXPLOSIVE
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LOT NO	SIZE	QTY
BAQ-126-1A	1907	30
W?-112-2	1519	96

SELECT CODE A 1 4A STOCK

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Redstone Arsenal

MAJ Chris Simpson
HQDA ODCSLOG
DALO-SMQ-LA, Wash, DC 20310-0547

Rocket Ammunition W/Explosive Projectile
Class A Explosive

Guided Msl Sur Atk BGM-71A-2

William D. B/k

[redacted] from MAJ Simpson, HQDA
CIA ON 13 FEB 86

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13 Feb 86

Chris Simpson

MAJ Chris Simpson SSN 150-42-9662
DALO-SMU-LA

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13 Feb 86
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Deposition of: Ana Barnett,
Executive Assistant United
States Attorney.

Friday, July 17, 1987

4152

U.S. House of Representatives, Select Committee to Investigate Covert Arms Transactions with Iran, Washington, D.C.

Partially Declassified/Released on 1-6-88
under provisions of E.O. 12356
by N. Menan, National Security Council

Appearances:

W. Thomas McGough, Jr.,
Associate Cousel, Senate
Select Committee.

Robert W. Genzman,
Associate Minority Counsel.

Jack Perkins,
Department of Justice,
Legislative Affairs.

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MR. MCGOUGH: Good morning. My name is Tom McGough. I am associate counsel with the Senate Select Committee on the Iran-Contra matter.

MR. GENZMAN: Robert W. Genzman, Associate Minority Counsel with the House Committee.

MR. PERKINS: Jack Perkins. I'm with the Office of Legislative Affairs, Department of Justice.

BY MR. MCGOUGH:

Q. Would you please state your name.

A. Ana, A-n-a, Barnett, B-a-r-n-e-t-t.

Q. And what is your title here at the U.S. Attorney's Office?

A. Executive Assistant United States Attorney.

Q. What does-- what are the duties of the Executive Assistant United States Attorney?

A. On paper, in the organizational chart, I have supervisory responsibilities over the civil section of the office, the appellate section of the office, and the administrative side of the office, and I report directly to the United States Attorney.

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As a practical matter, the lines aren't that rigid.

Dick Gregorie lives in a parallel world, where he has supervisory responsibility over all of the criminal side of the office, but essentially, we are acting U.S. Attorneys, when the U.S. Attorney is not here.

Matters that come up-- we just deal with them on an ad hoc basis, and try to solve the problems as they arise.

I also speak for the office. We have a press policy where line AUSA's do not speak directly to the press, or answer inquiries.

That's done by myself or Dick Gregorie.

Mostly, I do it.

Just other things, as they come up. It's very hard to say.

Q. Let me see if I can get a picture of the organization of the office.

Leon Kellner is United States Attorney.

Is there a first Assistant U.S. Attorney?

A. Well, Dick and I are essentially the first assistants.

When the office got to be beyond a certain number of AUSA's, that position got split.

For example, in the Southern District, of Florida, they have three, instead of just two.

They have an associate-- a term of art.

I guess we're the first assistant.

Q. So then as an organizational chart matter, you would be supervising the civil and appellate and administrative, and Mr. Gregorie would be supervising the criminal side?

A. Yes.

Q. Where does Mr. Scharf fit into the organization?

What is his title?

A. Special Counsel, and if I might, I can clear it up, if I can draw the little organizational chart here (indicating).

Q. Sure.

A. I sometimes do things in the criminal domain, and Dick, sometimes in the civil domain, depending on who is here and what comes up.

Larry is over here (indicating). Then we have the others (indicating).

Larry doesn't report to anyone but the U.S. Attorney, and has tasks as assigned.

If I had to describe him most commonly, he is the office oracle.

He's brilliant, and has many, many, many years of prosecutorial experience, and as a result, he handles the extremely complex cases or novel cases that arise, that are usually given to him for review to deal with in the office.

Q. In your position as Executive Assistant United States Attorney, do you still maintain a case load of your own at all, or do you deal with cases, solely from the supervisory standpoint?

A. From a supervisory standpoint, except as things come up.

I have-- at a request of a judge, I have a case before that particular judge to try, but I don't ordinarily have a case load in this position.

Q. Is that a civil or criminal matter?

A. A civil matter, a class action filed by Haitian refugees that were retained.

Q. I would like to get a little bit of your background, if I could, starting with law school.

When did you graduate, and from where?

A. Okay. I graduated from law school-- let me start with undergraduate school, because I'm a late bloomer.

Actually, I went to law school late. I just didn't-- why did you go to law school so late, right?

I graduated with a BA from undergraduate school in '68 from the University of Florida.

I have a Masters Degree from Florida State University.

Q. What is that in, the Masters Degree?

A. In psyche, in 1970.

Then I did real work for a few years.

I taught at Miami-Dade Community College and was a counselor there, and then I started law school in '73, so I graduated from law school in '76 from the University of Miami.

Right out of law school, immediately out of law school, I went to work for the State Attorney, which is what we call the District Attorney here in Florida, here in Miami.

I was there until 1978, when I came to work here.

Q. Were you doing criminal trial work in the district--

A. Yes, I did, criminal, and when I came here, I started in the civil division and stayed there.

Q. So in 1979, you came in as an Assistant United States Attorney?

A. No. Actually, it was mid '78.

Q. And how long were you, if I could say, a trial attorney in the civil division?

Is that a fairly accurate description of the position you filled?

A. Yes.

I tried more cases than any other civil attorney has ever done in this office.

I did all of the swine flu litigation.

I was there until Stanley Marcus became U.S. attorney, which I think is was '82.

MR. GENZMAN: It was '82.

THE WITNESS: When he became the U.S. Attorney, he appointed Leon Kellner cheif of the civil division.

He brought him in from private practice in New York, and appointed me to be the deputy cheif of the civil division, and I did maintain a case load, but a more limited case load that was just limited to larger cases, or things assigned the U.S. Attorney.

Then some time, a year or so after that time, Leon Kellner became the Executive Assistant, and Stanley Marcus made me the chief of the civil division.

I'm a little fuzzy on those dates.

Then he was appointed judge, and I have lost track of when that was, but some time in-- I left the office in early '85 to private practice.

I thought that would be a good time to try it, and then in October, late October of '86-- no. Excuse me. Late October of '85, I came back. I didn't stay very long-- to this position.

Q. What did you to in private practice?

A. Civil litigation with a civil firm.

Q. What is your commercial telephone number here?

A. Commercial telephone number is area code 305-536-5242.

Q. Is that the same as your FTS number?

A. No. The prefix is [redacted].

Q. And the same four digits?

A. Right.

Q. Do you know Leon Kellner's-- what is his-- does he have a direct dial number or direct exchange number?

A. 5401 is his last four digits, and the same thing, the 536 or the [redacted] exchange.

Q. And what's the general office number here?

A. I don't know it.

Q. Now, obviously we're here to discuss primarily an investigation that's gone by a number of names.

We have called it the Garcia case, the Cuervo case, the Costa case.

Does it have a name that everyone would recognize it by in this office?

A. Costa, but-- although no matter what you use, we all recognize it.

Q. Okay. Let's keep the terminology straight. Let's call it the Costa case.

What was your first contact with the Costa case?

A. Well, there's really two ways of answering that.

My first official contact with this is today, and I have to refer to this chronology that Jeff Feldman prepared, because he's the only compulsive person that kept dates and times of

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things, and none of us did.

Q. That's fine. You'll provide us with a copy of--

A. Certainly, although you have these here.

Q. Are those your notes?

A. Yes.

Q. We would like to see all documents that--

MR. PERKINS: Let me just give it to you through channels, so we can keep track.

MR. MCGOUGH: I prefer to have it today, really even before we adjourn the deposition.

I will be glad to look at the documents and see if there are any questions we have on the documents before we go back.

MR. PERKINS: We don't want to get into the business of handing over the-- handing over documents every time a witness goes to be interviewed.

MR. MCGOUGH: I understand that, but if a witness uses a document to refresh their recollection during the course of a deposition, we are entitled to see it.

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I think it's pretty clear, and we'd like to see it during the deposition.

I guess to put it bluntly, if the witness refers to the document-- we'll take it through the normal channels, but if she does, we would like to refer to it before the end of the deposition, in case there are any questions off of it, then we can take notice of that without reconvening the deposition.

BY MR. MCGOUGH:

Q. You said you had two ways of answering the question-- going back to the question.

A. Officially, on March 14th of '86 when Jeff Feldman came into my office with, according to this-- with Kevin Courier, an FBI agent.

Q. Now, do you-- on the chronology, do you recall that meeting?

A. I recall the meeting very vividly.

I just don't recall the day it took place, the timing of it.

Q. Can you tell me-- you said that was your first official contact.

A. Yes.

Q. Did you have unofficial contact that might have predated that?

A. Yes.

I only realize that in retrospect.

Toward the end of '85, soon after I returned to the office in this position and started getting-- well, the first thing I got is-- the clerk of the court called me up. That's one of the things I do when problems come up. I handle those problems.

He said, "We have a letter here. We don't know what to do with it. Should we file it as a case? It involves--" and I said "Send me a copy and if it's--"

As it turned out, it was a letter written by Mrs. Garcia, you know, protesting the treatment of her husband in the course of his trial.

I basically thought another pro se defendant. We have hundreds of these. File it in the crank file. That's that.

It was only in retrospect, as things are developing-- I said "Oh, I think I have seen these letters."

These letters, throughout the next few weeks, I guess they were mailed to lots of people all over. I don't know who all got them.

I know the 11th Circuit got them, and they started sending us copies and we started getting copies of these letters back from various people, additional people that got them.

Q. When you say they were sent-- not by this office?

A. Oh, no.

I have to assume it's Mrs. Garcia that sent out a mailing of these letters.

Q. Did you do anything with that letter, other than put it in what you-- I think you referred as a crank letter file?

A. The first one, no.

We had one that was referred by the 11th Circuit, and they decided to deal with it as though it were a habeas corpus, you know, because it was a pro se filing, and I think it was passed along to the civil division, but I'm pretty sure nothing ever became of it, because it was a petition filed on behalf of someone, rather than by the prisoner himself.

It was dismissed. I think the 11th Circuit decided to dispose of it in some fashion. I didn't follow-up on it.

Q. So you didn't pass it on to Mr. Kellner or Main Justice, anything like that?

A. No.

He, I think, got a letter, also, and then passed it on to me.

I said, "Yes, I think I have seen it before. It's an ongoing case, an active case," and I think eventually we passed it off to Jeff, who had the underlying case, once we figured out it was something that involved something that was ongoing and pending.

Q. Do you recall what the allegation in the letter was?

A. That the judge had been extremcly unfair by keeping out evidence-- I guess there had been a supression hearing of some kind, and that, you know, her husband was innocent, and he had been-- he hadn't been allowed to prove his case.

It was a funny allegation. He said his attorney was in cahoots with the government and conspiring to convict him, and that's why he wasn't able to put in all of the evidence that he needed to put in to prove this case.

You know, allegations-- that's very broad. That's not the details of it, but that's the general nature of it, as I remember.

Q. Between these letters, all of this, you really didn't take any affirmative steps?

A. Right.

Q. Did you have any contact with the Costa case prior to March 14th?

A. From time to time, and I really can't remember now if it was really before or after-- you know, there started slowly to be from time to time, a call from a newspaper or somebody, saying, you know, "There's a man named Jesus Garcia--" there seemed to be interest in him, and it seemed unusual for a gun case, but that's the only thing.

Q. And did those press inquiries predate the March 14th meeting, as best you can recollect?

A. I'm really fuzzy on that.

I really can't tell you.

I have to suspect-- I have to think that it probably did, because a lot of them had questions about-- not a lot, but-- a lot, a few, two, three, questions about Garcia, about who he was.

I know we mailed out-- people asked for copies of the indictment.

An L.A. paper stands out in my mind as asking for copies of the indictment, and wanted copies of pleadings.

I said, "We send out copies of indictments, because they are public," but pleadings, it gets into too much trouble to send out.

Things like that. Nothing that really seemed out of the ordinary. Only in retrospect it does. At the time, it didn't.

Q. Let's go to March 14, 1984.

What do you recall about that meeting?

A. That Jeff and the FBI agent came in very excited, that they had, you know, heard about the plot to assassinate a U.S. Ambassador and blow up embassies, I believe it was in Costa Rica.

At that time, I think they came into my office, because the U.S. Attorney may have been in a conference or had people in this office and his door was shut.

I thought, oh, my God, this is really serious stuff. We have got to, you know, do something about this, and look into this right away.

What really stands out in my mind, as we're talking about this, it's being relayed in a very excited manner.

Leon walks in, opens the door in my office, and says-- Leon comes into my office and says, "I have got to see you. Something has come up."

I said, "I have got to see you, too. This is very important. They have got to convey something about a plot to kill an ambassador."

He said, "That's what I have to see you about," so at some point-- I'm not quite clear how it merged. He got the information from a different source, I think, from Washington, as they were telling me, so we moved into his office.

Q. Let me stop you there for a second.

In the course of laying out these allegations, did Mr. Feldman or the FBI agents mention any allegations about gun running?

A. I can't remember, because that's-- that was, like, the most exciting part of it, the very idea there were people planning to kill a U.S. Ambassador and blow up U.S. embassies. That's what really stands out in my mind.

They may have, but I just don't recollect that.

Q. Do you recall any mention of any public firms or government employees being involved in the plan, the conspiracy that they were describing?

A. No.

I-- there were names that didn't mean anything.

Q. But they didn't specifically-- you don't have a recollection of any specific reference to the NSC, for example?

A. No. Not at that point, no.

Q. Who in Washington made the call?

Did Mr. Kellner indicate who made the call to him?

A. At that time, I don't think he did.

Let me see. I think I asked about it. No. I don't think I did ask, but I think it was-- I think it was a call and it may have been, because at some point, there was talk about it.

It may have been generated because of a letter. It could have been another one of Mrs. Garcia's letters.

She was becoming a regular letter writer after a while.

Q. When Leon came into your office, did he seem to know about an alleged plot to assassinate Ambassador Tambs?

A. That's who it was.

Q. Were those allegations included in Mrs. Garcia's letters?

A. The letters I read-- I don't remember reading that.

My only recollection of the thing, that it could have been generated by a letter, and that was a later conversation we had, just basically saying, how we did find out about this thing, and that was thrown out-- it's really speculative.

I'm really fuzzy about how Leon came to find out about it.

Q. You don't recall if Mr. Kellner mentioned specifically who in Washington called him and--

A. No.

Q. What happened after you went in his office?

A. They went in and they told the story again.

Probably they told it in great detail, if you have ever spoken to Jeff.

I guess at that point, probably discussions about, you know, what to do next, maybe get on it, go down to Costa Rica, talk to people, things like that, because I know that after that point-- see, we're at a point it was where Gramm-Rudman-- for some reason, our travel money was very tight. That was another thing that stands out in my mind.

There was always going back and forth conversation about, can we afford a trip to Costa Rica, this and that, and that was a discussion that was happening, the travel budget was running low.

I don't know if it was at that very meeting or soon thereafter-- "Yes. Absolutely, do whatever you have to do to get to Costa Rica and talk to these people."

Q. Was there any discussion about getting to Mr. Terrell in New Orleans, T-e-r-r-e-l-l?

A. Jeff told me so, but I don't recall it.

Q. You mean at a subsequent time, Jeff told you he had spoken with Mr. Terrell at that meeting on March 14th or--

A. I don't remember any of the names that were mentioned at the March 14th meeting.

What Jeff told me was that after that time, he went to New Orleans to interview Jack Terrell about this, so Jack Terrell must have had

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some kind of knowledge about this.

Q. You don't recall any discussion, even in the context, say, of the travel budget, of , going to New Orleans or not going to New Orleans?

A. No. That we didn't-- was out of the country travel probably, and I may have my dates confused.

We may not have discussed the travel to Costa Rica until after the New Orleans trip, when he came back with more information after talking to Terrell.

It was something like that.

Now, the dates kind of merge together.

Jeff is the one that is real, real clear and certain on what happened that day.

Q. Do you recall any discussion of an impending sentencing proceeding with Mr. Garcia?

A. I don't have any independent recollection of that. I don't have any independent recollection of that, but I have been told that that was discussed.

Q. By whom? Who told you that?

A. Jeff. Jeff did, that that was discussed when he explained how he got, you know, ahold of this, and how he got involved in this,

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that it was really as a result of having prosecuted this gun case.

Went back to the beginning and told the whole story.

Q. Do you recall any discussions of a grand jury at that meeting?

A. Oh, no. Not at all.

Q. Do you recall anything else about the meeting that might have been touched on?

A. Other than, you know, it dealt with, you know, a very pressing and exciting matter, and that stands out, but other than that, no, nothing else really does stand out.

Q. Do you remember anyone else's participation in that meeting with yourself, Mr. Kellner and the FBI agent?

A. No. I don't remember who else was in the meeting.

It would be very possible that or more than likely that either Dick or Larry would have gone in there or both, or one or the other of them, just simply because we don't have a lot of formalities in the office, and the way just things generally operate, we, you know-- it's pretty loose, and it's very likely whatever meeting Leon

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was having before, you know, when that broke in, either Larry or Dick were in it, and when we just moved into there, they just stayed.

Q. Now, we have learned that after the meeting or that Mr. Garcia's sentencing was originally set for March 19th, and there was an effort made to postpone that sentencing.

Do you have any recollection of being involved in that at all?

A. No.

I mean, in-- again, in-- that's one of those recollections only in retrospect that it happened, and, you know, Jeff tried to put it in context for me, saying that was right, because we were trying to verify these plots were real, and if we thought it was true, we would speak up at the sentencing, you know, it would have some impact.

Q. Do you recall any inquiry or instructions from Main Justice about postponing the sentencing procedure?

A. No. I don't personally remember that.

That's again one of those things that Jeff has it on his chronology, and it probably had a much greater impact on him, that he would have

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read it, but I really didn't remember.

At that time, I still was really fuzzy about Garcia, and, you know-- as far as I could see it, it was just another gun case, and we literally have hundreds of gun cases, guns and drugs. That's what we have hundreds of in this district.

Q. What is the next event of which you have an independent recollection regarding the case?

A. Running into Jeff when he was returning from Costa Rica.

Q. So that would have been early April, April 3rd, April 4th, something like that?

A. April 4th, yes.

Q. What do you recall about that?

A. I was coming back from lunch, and, you know, the little guard station downstairs, going through the magnetometer, and running into Jeff, who was also coming in, and said-- had his suitcase with him.

He said, "I just got back from Costa Rica. I have got to talk to everybody. It's just real important."

I said, "We're around," and later that

afternoon, we sat around and Jeff came in and told about the-- all the events that developed when he was down there, and all the interviews.

Q. Prior to the larger meeting later that day, did you have any one-on-one conversations with Jeff about what he had found in Costa Rica?

A. I might have.

I don't remember, but-- Jeff might have stopped in and told us something, but he is such a detailed person and so full of the names, so used to throwing the names around, and when you don't know the names, it really doesn't mean a whole lot.

I do know that when I ran into him, he was really excited, you know-- "This is really exciting stuff. I have got to tell somebody." It's just look a kid bursting to tell the news.

Q. So there was a meeting later that day?

A. Yes.

Q. Was it in Mr. Kellner's office?

A. Well, before you leave, you can see what his office looks like.

His desk is over on one end, and at the other end of the room, there's a smaller conference table, but nevertheless, a relatively

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large table, and usually most of the meetings about cases and things, take place there.

We all sat around there and had Jeff . tell what he knew.

Q. Can you remember what time of day that meeting took place, approximately?

A. It had to be after lunch. That's my recollection.

Q. Do you remember who was there?

A. Well--

Q. Who do you recall being there?

A. Okay. That's one of those other answers.

Now I recall Leon, Dick, Larry, Jeff, and myself.

It wasn't till-- I am-- it wasn't till recently that I realized that David Leiwant came in toward the end of the meeting.

Q. Do you have any independent recollection of Mr. Leiwant being in the room during that meeting?

A. Yes. Now, yes.

Once he came and told us that he was there, I remembered him, because, in fact, it was I who had caused him to be there.

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We were discussing-- generally, we were discussing--

Q. Let me interrupt for a second. Let's start at the beginning of the meeting, and tell me what happened, really, is the question.

A. Okay. Well, Jeff started telling the story about why he was down there, and the things he had found out.

It was so full of odd names, like, Tegucigalpa, Quinta, you know, just names, odds things and jumbled together.

It was mostly he was interrupted by-- "Go back to the beginning. How did you get there? Who is this person? " It was that kind of meeting.

It wasn't like a smooth story. He didn't say, "I arrived on the plane and proceeded to do this, that and the other," whatever.

He was jumping around a lot. What would have ordinarily probably should have taken an hour, really dragged out.

It was just getting dragged out. I do remember that.

Different people were trying to parse out the facts, you know, who said what to whom, and how did they know it, and what does it mean.

At some point-- and if you ask me right now, as many times as we have gone over this, I couldn't tell you what all he told others, and certain things stay in my mind.

He talked about John Hull, how he had an appointment with Hull, and Hull cancelled the appointment, and he ended up sitting on the same plane as him, a few seats behind him.

Told about the meeting, the two prisoners down in Costa Rica, and I'm not even sure what--

Q. Do you recall any mention of the National Security Council?

A. I don't know if it was the National Security Council, but I think at that time Jeff started mentioning Robert Owen, and again, it was like a name that, you know, didn't mean anything, and he probably did mention that he thought somehow he was associated with the National Security Council, although it didn't just stand out.

Q. Do you remember what he said about Owen?

A. Something in connection with Hull, and again, I didn't-- I didn't take notes or--

Q. Do you recall any reference to Oliver North?

A. I don't know if the reference to Oliver North was then or at a later time.

I mean, at some point, his name did come up, and at that point he was all-- who is Oliver North then. He wasn't famous then.

I don't recall if it was at that metting or at a later meeting on this case.

Q. Do you recall any mention [redacted]

A. Yes.

Q. In what context?

A. I remember specifically, because Jeff said he had talked to someone who identified himself as [redacted] Aren't they supposed to be discreet?"

I remember asking that, because it just seemed so-- it didn't fit in with my idea of the way the people [redacted] are supposed to act.

Q. Do you recall Mr. Feldman describing his meeting with Ambassador Tam~~a~~bs, in which he outlined his investigation?

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A. I know he talked about his meeting with Ambassador Tambs.

Now, when he told us that he showed Tambs this diagram of his, you know, his theory of the case or not-- I'm not sure if that happened then or at a later time.

It could have happened then, but he did talk about it, and he put a diagram-- I'm not sure we're still talking about the same diagram.

I know at this meeting, he had diagrams with him, lots of diagrams, or at least more than one, as I recall, and he had made copies of them.

He laid them out on the table, and we were having trouble explaining how, you know, box number one over here connected to box number two, and I just remembered, you know-- writing or doodling on these different graphs that he had.

Q. Did you see this--

A. I didn't, but Jeff did.

Q. You didn't save the ones that you wrote, did you?

A. I think he saved all the ones that people wrote on, because I know that at some later point when this all came out, we said, "Yes, I remember--" just going back to talking and

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discussing, and I said, "Yes, but I think some of that stuff was just doodled on," and he said "Yes, I think I saved them all."

Q. Did you take any notes on a piece of paper or--

A. Not in the sense-- I would jot down a name, and kind of go like that and--

Q. Cross it out?

A. Or actually make little drawings around it, something like that, but it wasn't notes, extensive notes on the meetings, though.

One of the other people, though, I think was taking notes.

I started to, but frankly, it was so hard to follow what Jeff is-- maybe I was being remarkably dense, but it was so hard to follow the story, and I kind of sat there.

Q. Did you save what you took?

A. No. I think I left and left the pad there.

Q. You say one other person was taking notes.

Who was that?

A. By process of elimination, it must have been Larry. I know that Dick never writes anything

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during any meeting.

I know he retains it all.

Larry was writing notes. He may have had a pad in front of him, or doodling.

Q. Why do you remember someone taking notes, without--

A. I don't remember-- that's another one of those retrospective recollections, only because we had a discussion about that after all of this became-- came to the light of day.

Saying, "Did you take notes? No. No. No."

Larry said, "I think I took notes," and I'm not sure if it was that meeting or another one.

I don't really have an independent recollection.

You have to understand, it's a table considerably smaller than this, and he brought in all of these files, and he had color photographs he had out, and all these pieces of paper spread around on the table, and newspaper clippings and things, and it was just full, so, you know, a-- lot of stuff spread out.

Q. Do you recall any discussion at that

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meeting about the use of a grand jury?

A. No.

My most vivid recollection of that meeting is that Jeff-- we were asking after a while, talking to Jeff, saying, "What do you think you have in terms of the law," and he was talking about Neutrality Act violations and he kept mentioning the Boland Amendment, and Dick and I, embarrassing enough to say, we had no idea what the Boland Amendment was.

We hadn't followed that and weren't aware of it, and we said, "What's the Boland Amendment," and Jeff described it, and I said, "Shouldn't we look it up to see what it says, you know, just to make sure," that kind of discussion.

The legal aspects of what it was, did it have a criminal penalty, what did the Neutrality Act mean. We spent a lot of time going back and forth on the elements, you know, of the Neutrality Act violation.

Q. When the discussion of the Boland Amendment came up, was it you who went and got Mr. Leiwant?

A. In a way, yes.

We couldn't find it in the books. Leon has the USCA in his office, and we couldn't find it, so I volunteered to get it out of Juris, which is the computer-- I said that it must be in Juris, which is the computer, and I went to Juris, and when I went to the Juris terminal, David was already sitting at the machine on line researching something, and I said, "I need to get something," and he offered to get it, and frankly, his reputation in the appellate section, he is very handy with the computer, and what would have taken me a long time to get out, he got it in a few moments, and I said, "Dave, I'm looking for something called the Boland Amendment. I don't know when it was. I know that it deals with the Contras," and I said, "Please bring it to Leon's office," and I came back, and a little bit after that, David came in with a printout.

Q. When Mr. Leiwant came in with a printout, do you recall who was at that meeting at that time?

A. The same people.

Q. To the best of your recollection, were all of the people there, present throughout the meeting?

A. I think so.

There might have been phone calls and things, and people walked in and out, because my recollection is that it was just very, very long.

I know that I get very restless, you know, sitting for long, long periods of times, and it seemed like it was dragging on and on and on, and I suspect people got up and left and got coffee and came back, something like that.

Q. In the context of discussing the Boland Amendment, as you may now know or knew then, the Boland Amendment deals with government aid to the resistance forces.

In the context of discussing the Boland Amendment, do you recall what form the government aid-- the allegations of government aid took, how the government was supposedly involved with this, with this group of people who were allegedly assisting the Contras?

A. Not specifically, except in the beginning, when Jeff was describing what he had found out till then.

There was a section when he was describing these telethons that had been conducted in the Miami area over the Latin radio stations, you know, fund raising telethons, and he mentioned some group that met out in the Everglades and gave training and gave some guns that went on to fight in Costa Rica.

As it turned out, it was some six or seven AR-15's, something like that.

I think it was in the context of money raised locally by this Cuban-American organizations here.

Q. And possible government involvement with that fund raising?

A. No. At least I don't recall that being how-- that was the context of the money part of it.

There was also a discussion of a Howard Johnsons-- that's kind of coming back to me-- this meeting at a Howard Johnson's, and I remember that, because it was so bizarre.

There was a meeting at a Howard Johnson's here in Miami, where all these people had, like, a little mini-convention, I guess, and they sat around and planned when they were going to land, what they were going to do, and all of this kind of thing, and I think there were people there talking about raising money, but it just seemed-- the only thing that sticks in my mind is the recollection of the telethons, because I thought who would have thought that would have been a way to raise money like you do for cerebral palsy.

Q. Just my question is really directed as to why there were thoughts that the Boland Amendment might be implicated.

The Boland Amendment speaks to government assistance, and so forth. This sounds like private efforts.

A. See, I don't know. That's why we wanted a copy of it.

None of us were sure what it said.

Jeff kept throwing Boland Amendment around, and I said, "You know, do you know precisely what it says," and it seemed to me he was very vague on it.

He said, "It just prevents aid to the Contras," and that was his initial position, and then we got the printout.

I don't think it was being looked at from the perspective that the Boland said it was limited to the types of people who could give aid, because we didn't know what the Boland Amendment said at that point, or we didn't have it in front of us to tell.

Q. Do you recall any telephone conversations in the context of that meeting, that related to the case?

A. No. I don't-- you can't say that no phone calls occurred during the course of that meeting.

It was long, and, you know, Leon's secretary buzzes him, this, that or the other, but I don't recall-- I certainly don't recall any phone calls that were significant enough for it to-- the U.S. Attorney to turn around and relate it to us, so in that context, I don't remember, you know, any phone calls.

Well, it could have been or could have not been.

I do not know, and this is disputed again, we go back and discuss what happened at that meeting-- I do recall being present in the room when there was a conversation regarding the Neutrality Act with Mark Richard, and it was something to the effect of, you know, what are the elements of the Neutrality Act, and my impression was that we had called Mark Richard, simply because he supervises that section that deals with Neutrality Act violations, in the hopes they had already briefed this issue in the past, because there have been Neutrality Act violations brought probably in the mid '60's or so, and hoping they had some briefs and memoranda prepared on the elements of the Neutrality Act, and could send those to us and save all of us some work on that.

Q. Was that in the context of the April 4th meeting?

A. To my recollection, I thought it was, but I only think of it as being then, because I have a vivid recollection of really-- of talking about the Neutrality Act at length during that meeting.

I know that I was the one who personally owned that book, and we were discussing, what does it mean.

To set foot from, that sticks out in my mind, because I said that, "Set foot from".

I know we discussed the Neutrality Act and the elements of it at that meeting, is why I believe that's when the, you know-- we called Mark Richard to find out if they had the briefs on it.

The Mark Richard call-- it could have

been some other time, but it just seems to me that must have been.

That's the only call that I remember, you know, actually having a conversation relayed back to us, saying, yes, they do, but they have got these briefs and it has been done before, and don't re-invent the wheel, wait to get it.

Q. Does this office, by the way, maintain any phone records, toll records?

A. Yes.

Q. Would those be helpful in determining whether FTS calls took place during that meeting?

A. Yes. I would imagine.

Q. Have they been maintained for--

A. Well, FTS toll records-- I don't know who keeps FTS toll records.

It's either the administrative department or us, but I imagine they are kept.

I know that we have whatever telephone toll records we have, were sent to-- on a written request by letter from the independent counsel. It was sent.

Q. Do you send originals or copies?

A. Copies.

Q. Could we at some point, look at the

originals for, it would be March and April of '86?

A. They should be here upstairs in--

Q. Let's see if we can straighten that out before the end of the day.

If you would look at that--

A. Yes. When we finish, I can call the admin people and have them bring the originals to the room so you can look at them.

Q. In the course of that meeting, do you recall any discussion at all indicating that Main Justice or anyone, for that matter, wanted the case to proceed slowly?

A. No.

Q. Do you recall anyone at that meeting, instructing anyone else to handle the case in a slow or dilatory fashion?

A. No.

That has been the-- has been the most perplexing part of this whole case, when the allegations first arose, where they have come from, and we speculated a million things, and this was the last thing that we could have imagined when we did find out what it was.

Q. Do you recall any discussion at that meeting of Steve Trotter or Jensen?

A. No.

Q. Do you recall any discussion of the Attorney General?

A. No.

The only name that I recall coming up was Mark Richard, as a department person.

Q. This is at any meeting?

A. That's what-- well, Trotter and Jensen wouldn't stand out, but I know the Attorney General's name would, and that was an important person.

Q. Do you recall anything else about that meeting on April 4th?

A. That when it broke up, I don't think anything had really been resolved, other than Jeff was asked to put the facts down in writing, that maybe by articulating them in a written form, you know, he might be able to sort it out better so it would be more understandable, and that's how he left it, is put it in a memo, you know, to organize the case, so maybe we can get a focus.

It just seemed to be all over the case, the gun case, the Neutrality Act, whatever.

Q. And again, you don't recall the discussion about whether the case was ready to go to a grand jury or anything, at that point?

A. I don't recall that being discussed at that point.

There was a point where-- a meeting where we discussed and made suggestions of things to do before going to a grand jury, like, getting financial records, so you can make a decision of, you know, who to call, because you don't want to end up calling witnesses who-- just to be more focused and organized, but I don't think it was at that meeting.

My impression was that it was at a later meeting.

Q. Do you recall any discussion at that meeting, of potential Congressional votes on the Contra aid issue?

A. I don't recall it, but Jeff said that he mentioned it.

Q. At that meeting on the 4th?

A. Yes.

I think he says that he mentioned that.

Q. That there was an impending vote?

A. Yes.

Q. And you don't have any independent recollection?

A. Not really, I don't.

If it was mentioned, you know, I just-- it didn't leave an impression. I don't remember it.

Q. And you don't remember any response or any discussion from that-- at that point?

A. No.

You have to remember, you were at the point where two of the people in the room, Dick and I, had never even heard of the Boland Amendment. I know it sounds odd living down here, but--

MR. GENZMAN: Let me interject.

BY MR. GENZMAN:

Q. What did Jeff recall about mention of the Contra aid vote?

A. I recall Jeff saying that he-- you know, this is a very hot topic, you know, this is a hot topic in Washington, a lot of controversy.

I think he expressed it like that. He did mention it, and this is in a meeting that we have had, to see what happened at that meeting, that we don't remember.

He said "Yes, I just mentioned it in passing, and you and Dick were oblivious," and we went on to something else.

Q. Did Feldman mention where he had obtained his information about the Contra aid vote in Washington?

A. No, but I suspect that he was really probably reading the papers more avidly, and having-- following that portion of the case, may have been following news reports in the news, you know, and things relating to Nicaragua, you know, more closely than the rest of us.

Q. You didn't get the impression he had been relating this to his trip in--

A. Oh, no.

I remember at the meeting he had newspaper articles, photographs, and that wasn't only from local papers.

He had gotten clippings from things about that, but my impression was that he got it, just simply because he was interested and he was following the developments.

MR. GENZMAN: Thank you.

BY MR. MCGOUGH:

Q. We understand that there was another meeting on this matter on April 11th, which was the day of the FBI shooting down here. At least we have been informed that there was a meeting that day.

Do you recall a meeting on that day?

A. No.

Well, what I recall that day, is-- in fact, I was the acting U.S. Attorney that day, because Leon was away and he was due to arrive back some time that afternoon from-- I think he was in Great Britain, and then the shooting thing developed during the course the day, and it became very, very hectic around here, and that was also the day when--

What I recall that relates to this case, was that-- and I don't know who told me this. It may have been Jeff. Probably is, because Jeff would come in to see me a lot, tell me this is going to happen and that's going to happen, that there was supposed to be an AP article coming out about his case, and I said, "Fine, because we can't deal with all of this. This is really a horrendous thing happening."

We had the FBI pick him up at the airport and bring him right into the office, and I couldn't-- you know, we were trying to deal with things, how did the shooting occur, and sending

AUSA's out to the scene, because we didn't want the locals questioning the agents, you know, and it was just a very intense day, and I just don't think that would have been it.

Q. Up to that point, up to the point of the FBI shooting, do you recall any discussion of the potential political impact of Jeff's case on what was then Mr. Kellner's pending-- I don't know that he had been formally nominated then, but he was acting U.S. Attorney at that time?

A. Yes. I think he was acting at that time, and he had been nominated.

Q. Do you recall any discussion at any point, the potential impact of the-- Mr. Feldman's case on Mr. Kellner's nomination?

A. No, I don't, but because this has come up before, Jeff tells me that he did say that to me, and, you know, he says he said it.

He says he said it.

I don't recall the discussion, and he may have said it and my comment, "So what," because there was no other nominee, and nobody else who wanted the job. He was the only one.

It was inconsequential, from the day that Stanley left to be a federal judge, and-- he says he mentioned it and he thought that, you know, that was something relevant to bring up, but, you know, I just-- he may have brought it up to me.

I know I didn't remember it, and I don't remember it coming from me.

Q. And you don't recall discussing it with anyone else in the context of this case?

A. In the context of this case, no, except about being asked about this, by other people, as a result of, you know, the different investigations.

BY MR. GENZMAN:

Q. If I can interject-- can you give your best recall of what exactly Feldman said about this issue?

A. I really can't.

I have to just totally rely on Jeff's recollection of it, and I'm relying on him, simply because he's the most compulsive human being I have met. He's so certain about everything, and I'm just fuzzy, so I have to assume he did tell me, if he said he did.

Q. What did he say he had told you?

A. That he said-- he had asked me, if Leon had been, you know, finally appointed--

Q. Confirmed?

A. Yes, as the U.S. Attorney, and I probably said, you know, no, that it's pending.

I guess it was pending at that time. I don't know, it's pending before the House or before the Judiciary Committee, whatever, and, you know-- "Well, do you think they may be holding it up or something," and I said no.

What I wish, and I haven't asked Jeff this and it just occurred to me, maybe the timing of it would have helped-- if it was maybe about the time-- there was a period of time when allegations started surfacing about Jeff's case, and I don't know if it was in that period of time when it would have made sense to say it, because of the context.

I don't remember the whole thing at all, period, let alone the context.

Q. Was Feldman with his compulsive demeanor, able to pinpoint the time at which he had previously told you that?

A. I don't remember if he did.

I would have to ask him.

We went over his chronology. I didn't

have it in here, so I don't know.

He may actually know. He may actually not have much a recollection of when he said it, either.

I don't know that.

Q. But you don't remember that conversation?

A. No, I don't.

There was a point, you know-- we met a lot. Not to put in the formal sense of the word, but I have-- I guess it's part of my job description, whatever, I'm just sort of there when somebody needs something, something comes up, you know, my doors are always open, and I guess my office is first before you get to Dick's, and people just come in. There was a period where he started stopping by more often.

I don't know when or how often, or what, because it's not by appointment or anything that would have recorded it.

Q. If he had made such a statement, do you think he would have remembered it?

A. I think so. I think so, although-- see, the problem is that then it wouldn't have meant anything.

It only becomes important now, you know, with this whole thing, and if I had only known this was going to happen, I would have remembered it then.

I would have done a lot of things. I would have written it all down.

BY MR. MCGOUGH:

Q. Shortly after the FBI agents were shot, the Attorney General came to Miami to visit the FBI.

Do you recall that?

A. I recall-- yes. I saw it on television.

Q. Did you have any contact with the Attorney General during this visit here?

A. No.

Q. Did you discuss the Attorney General's visit with Mr. Kellner?

A. Only because after they had run into each other at the hospital, Leon called me, and I I don't remember if it was the weekend, but he called me up and said, "Guess what. I was invited to be in the group of people that-- dignitaries that went with the Attorney General that went to visit the wounded agents. They drove me out in a limo." He was very excited.

We see ourselves here, very remote from the department.

If you ever have been a AUSA-- people, in Justice refer to us as the field. We're provincials, and the very fact we would get to rub shoulders with dignitaries--

Q. I was a AUSA in Pittsburgh, and that's even more of the field.

MR. GENZMAN: I was in Orlando.

MR. PERKINS: I was in San Francisco.

THE WITNESS: But Main Justice refers to us as the field, and that's my recollection of it, and the thing was, you know, "I got to be in the group that was there, and watch the news. I'm going to be on TV."

I think the local news stations carried the visit, because it was so intense, the pulicity surrounding the shootings.

The press followed everybody around, and I think they stood outside the door of one of the hospitals, and Leon was standing in the background, and the Attorney General said a few words about how brave they had been, and that kind of stuff.

Q. Did you discuss with Mr. Kellner,

anything that he might have discussed with the Attorney General?

A. No.

In fact, I was really surprised to find out-- was only well after that, I found out during that visit, he had been asked about Jeff's case.

Q. And when did you find that out?

A. At some point when all of these things started surfacing about the Meese call to go slow.

At first we thought it was a joke. We all have a joke, "Well, because I wasn't there when Meese called".

We just all called about it. We laughed about it, and said, "This will go away. It's a silly thing," and it never did.

I don't remember the timing of this, but we saw some article that quoted a Department of Justice person saying that yes, Meese had talked to the U.S. Attorney in Miami, but it, you know-- he had never said to do anything one way or the other about the investigation, but I know there was an article about it.

I said Leon, "Look at this." I think it was a Wall Street Journal, but we called public affairs and said, "Who is saying this," and as it

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turned out, lots of calls back and forth, what they were referring to was the meeting that they had had while they visited the injured agent in the hospital, and that's how it came up.

He said "Yes, that's the only time, never on the phone," but the way the article had it printed, it made it sound like it had been a phone-- made a phone call, and I don't know the timing of that article, when it came up, but it was another one of these days where he spends hours on the phone back and forth, until we were able to get the facts about what had happened.

Q. Going back to the end of the April 4th meeting-- after that meeting was over, what is your next recollection of any contact with the Costa case?

A. Probably-- the only thing I recollect offhand, is reviewing the memo, when he did something down on paper.

Q. Would this have been the first draft of the memorandum?

A. Probably.

Q. We've been told that that memorandum is dated April 28th, or thereabouts.

Is that-- do you have any reason to--

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A. No. I don't have any reason to doubt it.

Q. Put it at a different time?

A. No.

I'm just relying on that.

Q. What do you remember about that memorandum?

A. Very little independently, other than I know I-- I saw some of the sentences were extremely long, and it was very long and confusing, and I probably made some editorial suggestions as to clarify who's talking or who is saying this, that type of thing.

Q. To whom did you make those suggestions?

A. To Jeff, I have to assume.

I seem to recollect that we were back again in, you know, in the office, at the conference table, discussing the memo, and-- really, that's about all I recollect about the memo, itself.

Q. Why would you review the memo?

A. Probably because I had been there when he first raised the issue, and sometimes I'm used as the litmus test because of not having, you know, as deep a criminal background as the others, to see if it is in plain enough English so I can follow who did what to whom and when.

Q. Do you know if Mr. Feldman gave you the memo or merely Kellner gave it to you, or how it came to you?

A. No, I don't think so.

As far as I know, we were all given copies and sat there and went through it together.

Although, you know, I may have had it before then, and it may have probably just sat on my desk.

Q. Do you recall some press reports-- I believe they were in May, but don't hold me to this-- that the Department of Justice had recorded there was no investigation?

A. Oh, yes. I remember that very well.

Q. Can you tell me what happened there?

A. Before that article came out, and-- and, in fact, I can even tell you what led up to that.

Ever since Jeff got back from his trip, and back-- it started right after that AP article, that happened at about the time of the shooting, either the 12th or 11th, the very day of the shooting, about the gun running and flights out of

Fort Lauderdale, we started getting on a regular basis, calls about the case, and about that time, also people-- and I mean, people calling, and saying, I think, this, that, or the other thing, you know, and I called public affairs and told them, you know, "Look, we have an investigation, and we're just getting drowned."

It would seem to me-- "Drowned, getting at least two calls a day on the this thing, and I'm going to start referring them up there."

They started getting calls, and-- they said, "What is the case about? Tell me something about it? Tell me what to say," and I said, "So far, this in the beginning. This is in the beginning stage, but it's an ongoing investigation. So far we don't have a lot to go on."

Q. Who are you talking to at DOJ?

A. For sure, Pat Corton.

Q. C-o-r-t-o-n?

A. C, and it may be e-n at the end. I'm not positive how it's spelled.

Possibly John Russell, but at any rate, they had-- they had an inquiry, because it's not unusual, public affairs gets inquiries about different offices, and they call and say, "Tell me what to say? What is the case about," and it's-- even today as we speak here, what we have got, half a dozen AR-15's arrived, some hand grenades, a mortar, launcher, and an assortment of hand guns, hardly what you would have a war with.

That's what's provable, and that's what we have to this date, and--

You know, the next thing I see-- look at this, it looks-- what the New York Times did, called them up, and say-- the New York Times article, where they say it's about a half a dozen guns or so, which is true, but they characterized it as not being an investigation, but they characterized it-- I thought it was from the euphemism they used-- they said it was less than an investigation, but something like an inquiry, words like that.

Q. They, being the article, or they, being the Department of Justice?

A. Oh, no. Whoever was quoted in the article, in that New York Times article.

Q. I guess that's my point.

Were they quoting somebody from the Department of Justice about that?

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A. They said a Department of Justice official.

I'm sure the article-- I don't know if they named the article or not, but they quoted a Department of Justice thing.

At that point, then everything took on a different meaning as far as we were concerned, but the way I saw that, I said, like, "This is terrible. They are making someone-- someone wants to make it sound like we don't have a case and we're not doing something--" this may seem very paranoid, but I said, "I don't like this, and we have to make it clear we do have a case," and I called public affairs and told them that yes, we do have a case, and, in fact, after that point, then we started talking about the case.

Q. What did they say at public affairs when you called them?

A. I don't remember.

Q. Do you remember who you spoke to?

A. I spoke with Pat Corton, but I don't remember.

I'm sure it wasn't angry. I'm sure it was the kind of call, "Look, this is wrong. You have left the impression there is no case.

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There's an investigation, and it may not be grand jury yet, but an assistant is assigned to it, two agents, and interviewing people, and you shouldn't give that impression, it's less than what it is."

Granted the amount of arms involved has always been small. The Miami Herald-- put this in context about the same time, something about six tons.

All these publications are reporting tons.

To date, as we speak today, we're nowhere near close to six tons, but about six guns, a mortar, a few grenades, a few hand guns, and maybe a sniper rifle, things like that, but not tons.

We just aren't into tons, and, you know, I don't know-- it's very likely or most likely it was a misinterpretation, you know. I said, "It's just a few guns so far, so far no big deal," and that was interpreted to diminish what it was, that it wasn't tons. We are looking to make a great case.

Q. Can you put a date on that?

A. It had to be the day that the article came out. I think it was in May.

I think I wrote down the date and time of the article when I was getting ready for this.

I just wrote, article, May of '86, New York Times article.

Q. Now--

A. Oh, the other thing I wanted to mention about that, is why it changed the character of things, was that after-- probability, I think Larry to-- anyway, at the time, just discussed the general facts, you know, "What is this? Why is this happening, when we do have facts, have this."

Then Jeff's memo, which had originally been written down so we can understand the fact took on more significance.

Now it became, "Write it down, because we want to have something defintely in writing to show this is an investigation, that you did, in fact, talk to people, that we are, in fact, doing something."

Then the memo took on a different significance.

Q. Do you recall receiving a second draft of that memo?

A. No. I don't remember the different

drafts, and there was a point that-- I really didn't contribute to the memo.

It was mostly, you know, others that may have done editorial suggestions in the memo, because it was after that article in the New York Times that the memo-- see, the memo was never intended to go anywhere.

It was just for us, so we could understand the case.

At that point, the memo took on a character of, this memo is going to go to Washington, so the people in the department realize we have a case, and then it had to be looked at as other people were going to be reading it, and we had to make it very clear.

After that point, I think it was looked at more carefully.

Q. Do you recall seeing a draft of the memo, and this would have been a draft which was approximately 22 pages in length-- in which Mr. Feldman felt it was appropriate to issue grand jury subpoenas?

A. I always thought it was the first draft, but it ended up it wasn't.

I was present when there was a

discussion about the grand jury, whether to go to grand jury or not to.

I don't recall the date of the meeting, but I was present during a discussion of the memo and that particular part of it, do we start a grand jury right now, or do we do, you know, what.

Q. Going into that meeting, had you already read Jeff's memo?

A. I'm pretty sure I had read it by then.

Q. Going into the meeting, do you have an opinion as to whether the grand jury was appropriate or not?

A. I don't recall-- what I thought going into the meeting, I don't recall, but I do know going into the meeting, as things developed-- this is-- granted my background for the past few years has been mostly civil and I'm learning a lot of criminal as things go along, but my limited knowledge of criminal cases, I felt that you still couldn't really understand the direction of the case from what was in the memo.

That was my going into the meeting feeling.

At the meeting, I know one of the things that I recall saying to Jeff, or, you know, in the general back and forth of the different people who were there, is what did you plan to get out of the grand jury-- I mean, what were you going to present to the grand jury, because we couldn't overwhelm the grand jury with every single thing, you know, because we are-- and none of it makes any sense to us, and it has to be more organized and thought through, or have a focus and direction, and then others had specific suggestions.

Mine were more broad.

Q. Do you recall discussions of issuing subpoenas for records, bank records, gun sale records, that sort of thing, as opposed to witness subpoenas?

Q. No.

What I recall, I thought, was when we came up with certain names, that certain people hadn't even been interviewed yet, that that should be done first, and that I know bank records-- that decision was not mine. That was someone else, and about toll records, too.

You also see toll records, to see if particular people were where they said they were at particular times.

Q. Do you recall--

A. All that had to be done.

Q. Do you recall any discussion of the down side or any argument against issuing bank record subpoenas, or telephone toll subpoenas?

A. Not specifically about this, but I imagine there must have been, because I have been in enough meetings on other cases, where I know there are certain downsides about them that are raised, especially in a case where we had no clear idea of what and whom was being targeted.

Q. Do you recall who at the meeting, took what positions or-- as far as grand jury goes, or did people stake out a position?

A. Nothing really stands out.

I was probably less involved in that, because it's an area that I didn't feel very confident in, because I would suspect that Larry was the most cautious, because Larry, by reputation in the office, he's knows as "Doctor No".

He's very conservative in terms of leaning into anything, and he's always-- turns out, he was generally right.

His idea was, do your background work,

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investigative work, all this homework, and then you take it to the grand jury.

He is a very detailed person, and that would probably be my guess.

I don't know-- Dick, I don't-- I don't really have a particular recollection of what others were saying.

Q. Do you recall what position Mr. Feldman and Mr. Kellner took, Mr. Feldman and Mr. Kellner?

A. No, I really don't.

I know that Jeff, in spite of being very certain what to say-- very certain about things, like the facts of when things happened, and he also listened, and, you know, it wasn't like a heated discussion. I don't remember it being, like, somebody staking out a position, Jeff saying, "Yes. Yes. Yes. Go for it. Why are you holding me back," and others saying, "No. No. No."

It wasn't just that acrimonious. I don't have that good of a recollection of it.

Q. Was there a consensus come to at this meeting, regarding the grand jury?

A. Well, my recollection is not that good, but my recollection is one of-- the agents were

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supposed to go out an X, Y and Z people interviewed, and-- there were going to be some, I thought it was, airline records or something like that, but-- maybe some toll records, that were going to be gotten, other things that were going to be gotten, and then sit down and re-visit the issue.

Q. As you recall it, at least, there was supposed to be some sort of subpoena issued for some records?

A. I think so.

Q. At that stage of the investigation?

A. I know there were going to be some kind of records maintained.

I seem to recall airlines, for some reason, the airline records.

Q. Do you recall any ATF records?

A. ATF records?

Q. Yes.

A. No, but--

Q. I don't mean ATF, I mean gun stores records that the ATF could obtain?

A. That they could obtain?

That doesn't stand out in my mind, but that probably should have been one of the things.

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Q. Let me make sure I have the people. There was Mr. Kellner, Mr. Feldman, Mr. Scharf and--

A. Dick may have been there.

Q. I understand, but we have Kellner, Feldman, Scharf and yourself?

A. Uh-hum.

Q. And perhaps Mr. Gregorie?

A. Right.

Q. Anything else that you can recall, anybody else?

A. No.

Q. Is there anything else about that meeting you can recall?

A. No.

Q. What is your next contact with the case?

A. Let's see.

In my note on that meeting, on May 20th, Jeff recollects that-- now that I mentioned something about it, we were still unsure about what kind of case it was, whether it was focusing to be a gun case or Neutrality case, and we still needed to get better focused in on the law in that area to start developing those facts.

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My next recollection-- I really didn't follow-up with the memo after that.

I think I was shown the memo before it went out.

Q. Which memo were you shown?

A. The final, you know, the ultimate memo that was sent out.

Q. We understand that there was a draft that Mr. Feldman did and submitted to Mr. Kellner, and then Mr. Kellner and Mr. Scharf or Mr. Scharf made some changes in that memo, and then it was the Scharf/Feldman memo that went to Justice, and I did see the copy or--

A. I'm pretty sure I saw the one that went to Justice, the old one that went out, without any cover on it.

Q. Do you recall anything about that memorandum?

A. No, except that soon after it was sent, people knew about it. That was remarkable.

Q. Have you any opinion as to how that memorandum found its way into the public domain?

A. Did I have an opinion as opposed to facts?

I have no facts that would lead me to

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believe one way or the other, other than my cynicism of Washington, and that eventually everything that crosses the District of Columbia line, ends up somewhere in the public domain.

Q. So it's your opinion that the memo was distributed out of Washington?

A. Yes.

Q. All right.

A. And that's a strictly unfounded opinion, but based on personal prejudices.

Q. The memo went to Washington, had an ultimate conclusion section, and that conclusion was that it was premature to involve a grand jury.

Do recall that?

A. Yes.

Q. And it listed some reasons for being premature, and it said at one point, the grand jury at that stage, would be quote, a fishing expedition, close quote.

Up until showing that reference in the memorandum, do you recall hearing discussion of the grand jury being a fishing expedition, and again, this may refer back to the meeting on May 20th or at any other time?

A. I don't remember that.

I do remember expressions of, you know, "You can't just let a grand jury run amock."

You have got to have them focused, things like that, which I guess amounts to the same thing, but just not in so many words.

Q. Do you recall any reference to the harm that might befall innocent contributors to the accounts that might be subpoenaed in the event that subpoenas were issued?

A. Yes. That was discussed at one of the meetings.

Again, I'm not sure of which one, but there was a discussion-- you know, here's these people. They don't know what they are contributing to.

They write out a check, and what is the result of this, what do we do with that, especially in this community, everybody-- I mean, one day it's earthquakes, and another day, mud slides in Colombia, or earthquakes in Honduras-- I mean, revolutions here and there.

You go into little Havana on Southwest 8th Street and walk into randomly nine restaurants, and where up north you see Jerry's Kids, and there you're going to have the Contras, and then whatever the cause the people have there.

This is an exile community. That's the way they do it.

Q. Do you recall discussions of those facts in context of issuing grand jury subpoenas in this case?

A. That you-- you know, it was discussed, the factors of the checks, as a result of the telethons, things like that, and we obviously couldn't be focusing on all those people, and what did we want out of it, and things like that, yes.

Q. Did you have any input in the final-- this is after May 20th, up until the memo goes into the Department of Justice.

Did you have any input suggestions or changes to that memo?

A. No, not that I recall.

Q. Now, the memo was sent to the Department of Justice on or about June 3rd.

A. Yes.

Q. At or after that time, what was your next contact with the Costa case?

A. It was very really little, and then I went away, and people were on vacation.

I returned mid August-- my next

chronology could have been at the very end of August, and Leon called me into his office and showed me a mailing that he had received in a large brown envelope, and he said, "Look at this. What do you think of this? You know, what do you make of this," and it was something from-- I think it was from Costa Rica, and it had affidavits in it of the people who had been imprisoned in Costa Rica, and it was just very odd, you know, and it-- it just looked fishy to me.

In fact, I said, "This is the kind of thing you kind of hate to have your fingerprints on. Who knows-- "

It was making allegations against John Kerry, allegations of improprieties, and purported to have sworn affidavits of these two guys that were down there, but all the facts we knew to date were totally contrary to some of the things that were stated in those affidavits.

They could have been true for all we knew, but by now, you know, we were starting to focus on the case, you know.

There was a lot more public attention on it, and I said, "I just have a feeling-- I don't know-- for somewhere down the line, we're being set up by other people, but--" you know, "I suggest you immediately do not just hold this, but pass this long."

Q. Did you discuss passing it along to whom?

A. Yes, to submit that to Washington, you know, to make sure we-- make people aware we had gotten this packet.

As it turned out, we learned we weren't the only people to get it. We just assumed we were singled out, and it turned out there was a mailing to other people, also.

Q. Prior to late August, I believe the FBI gave a very thick prosecution memo to Mr. Feldman, and he passed it on to Mr. Kellner.

Did you ever see that?

A. No. It's not a prosecution memo, p-r-o-s, but after the last thing-- in the sense that we write prosecution memos, before we initiate a RICO prosecution, something like this, but simply a compilation of all of the 302's, without characterization of inclusion, things like that.

I was aware it existed, but I didn't-- it came in when I was-- either it came in after I had gone on vacation, and I was getting ready to leave, so I was winding things up.

I really didn't see that.

Q. You say you were aware of it.

When did you become aware of it?

A. Sometime after that, that that had been prepared, and passed along.

Q. Were you ever asked for any input on the decision, about what to do for the memo--

A. The prosecution memo?

Q. Yes.

A. No.

Q. After Mr. Kellner received-- after the episode in which he received the affidavits that you mentioned earlier in late August--

A. Uh-hum.

Q. What was your next contact with the case?

A. It was about that time when we started getting calls, saying, you know-- asking for comments on whether we were told to stop this case, you know, at the request of the Department of-- the request of the Attorney General, and, you know, from there it just really snowballed, and the press saying-- I was sitting around saying this is-- this was out of the blue. It's--

Q. You mean the press comments?

A. Yes, the comments.

I mean, around here, it's often we're the last to know, and we usually get most of our information from the press, and that's how we first heard of this allegation.

Q. When those allegation came in, did you go to Mr. Kellner or anyone else, to attempt to determine what the status of the case was?

A. Oh, yes.

Well, I discussed the allegations with Leon, and I imagine Jeff at some point.

Q. What did they tell you?

A. Starting in there, I really don't remember in terms of what the case-- we would have to see what Jeff was doing at that time.

Garcia-- the Garcia sentencing on September 15th, seemed to be a landmark for the beginning of a lot of calls and things on this issue.

Q. When you talked to Mr. Feldman, did he tell you that he had passed the prosecution memo on to Mr. Kellner?

A. He may have.

I was dealing from a very limited perspective of just dealing with little events as they came up.

At that point, I really didn't see the day-to-day supervision of the case.

The case now-- well, at some point, Jeff started working-- or one of the senior people started working with Jeff on the case.

I don't know when that was.

At that time, it was the person, Dick Gregorie's predecessor, Joe McSorley, and once Joe, you know, was assigned, to work on it with him, the rest of us kind of faded out.

Q. Can you remember when the press inquiries about alleged pressure from Main Justice began to come in?

A. The go slow calls?

Q. Not the calls, themselves, but the ones--

A. I call them the go slow calls.

It started with-- I know it started after I came back in August, you know, sometime, late September-- late August, September, they started.

Q. Before the Garcia sentencing, which was in September?

A. I think-- my recollection is that there was intense attention right around the time of the Garcia sentencing, but even before that, there was, just, like a call from here, a call from there on this, so it was starting to maybe build momentum.

Q. Mr. Feldman has told us that he passed along the prosecution memo to Mr. Kellner some time in mid August or so, and ultimately, he got it back from Mr. Kellner in early November.

If you were receiving press inquiries as early as the middle of September and taking them to Mr. Kellner at that time, was he giving you any indication as to what he was doing with the prosecution memo or with the case, in general?

A. I don't recall any discussions in terms of the case, itself, but more discussion really focused on, you know, why is this happening.

You know, it may be a very limited perspective to take, again, in retrospect, but that was it. It was very situationally oriented discussions.

Q. I'll be frank here.

The case from the time the prosecution

memo came in and went to Mr. Kellner, until it came out of his office on November 1st, very little, if anything, occurred in the case, and at the same time, you were feeding press inquiries about this go slow allegation.

Were you making an attempt to find out why the case seemed stuck in one place for the better part of three, four months?

A. I imagine that I talked to Jeff from time to time about it, but I really didn't look beyond that, and, you know, I should have in retrospect, but I thought that, you know, things were just taking their course, and, you know, what was-- what was needed to be done, was being done.

Q. Were you aware that Mr. Gregorie was reviewing the prosecution memo?

A. No.

I'm trying to figure out at what point in time Joe left.

I don't know if he started reviewing it when Joe left, or he just started reviewing it also at some point, but no.

Q. You were not contemporaneously aware that Mr. Gregorie was reviewing--

A. No. Not really, no.

I generally stayed out of the-- the specifics of the case at that point.

I had very little contact with it.

To this day, I don't think I have seen the FBI pros memo, the compilations of the 302's.

Q. Do you recall when the C-123 in which Mr. Hasenfuss was riding, was shot down?

A. Yes, I do.

Q. How did you learn about that?

A. Well, interesting enough, again, the press calls-- we had a very well known case, or famous, where Barry Seale was a prime witness. We returned the cartel indictment based on his testimony, and he flew a C-123 loaded with dope into Nicaragua, a trans-shipment point, and that was the basis for our cartel indictment.

The immediate press reaction to that was that it was the same plane, and when Barry Seale had been assassinated in Baton Rouge, there was a lot of notoriety around it, and they had, like, a 20/20 show focused on Barry Seale, and all these things, so the initial calls we were getting was, you know, was this the same C-123.

There's just not that many of these planes around anymore.

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Q. Did you discuss the Hasenfuss shoot down with anyone in relationship to Mr. Feldman's case?

A. To Jeff's case?

At some time later, probably initially it was basically discussed in trying to find out if there was a connection with the-- the same C-123 that Seale had used at a later time.

I mean, later could mean a day or two later, just not that same day.

I know that I talked to Jeff about it, and/or Jeff came in, or I walked in where Jeff was, one of those things, and there was probably a general discussion about that in relation to this case, was there any indication this could have been something related to the people he was looking into, things like that.

Just general-- I don't have specific recollections of what particular was discussed, other than, you know, yes, there probably was at some point, firm discussion-- got together and said, you know, "Do you think this relates to you."

Q. You say people got together.

A. I wish I knew who, except, again, I

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would suspect it's Larry, Dick, and myself, and Jeff, and I'm not-- I don't have a fix on Larry and Dick, and also, that's not to mean-- there were other meetings, you know, where Dick could have met with Jeff and Leon, and the rest of us not being there.

I can tell you with certainty how much-- that as to David-- David's only contact with that case was with the printout on that particular date, contrary to the report.

He did not work on the case.

Q. Did you ever discuss--

A. Did not participate.

Q. Did you ever discuss the Hasenfuss incident with Mr. Kellner?

A. Probably.

Q. Were you getting press inquiries at that time, linking the go slow, the Costa case, with the Hasenfuss case?

Is this-- the question is, is this the same investigation?

A. Yes. It was again about that file, when that was, again, coming up again, and the other thing that had come up was Leon had given an interview, had talked to this man from-- I think

Murray Wass-- I want to say New Republic. I can't remember now exactly what magazine it was, but---- I think that was, like, in September or so that that happened, and that article came out around that time.

That was, like, a retrospective of the Garcia and go slow, and that, I think, was in time-- happening about the same time as Hasenfuss.

It all gets mixed together in my mind.

I think it was all happening about the same period of time.

Q. Getting back to that, do you remember having discussions with Mr. Kellner about Hasenfuss and Costa?

A. Yes.

I just don't remember what we discussed.

You know, can this be part of Jeff's case, what's going on, maybe it's more than six guns and a mortar, all of this-- maybe he's part of that? Is there any way to tell?

Q. Do you recall discussing the correct status of the case with him at that point?

A. I'm sure at that point it really got discussed in detail, having talked to-- who we talked to, you know, the-- these people, what have they been telling you, that kind of thing.

Q. Did you talk to Mr. Kellner about--

A. What was Jeff doing?

Q. What was Jeff doing and what was he doing about the case, where it was in the pipeline?

A. I probably asked where it was and what was going on.

Q. Do you recall what you were told at that time?

A. No, I really don't.

I more vividly recall Jeff telling things, you know, than I do being told by Leon, what was going on.

I'm sure we did have the discussions, you know, because it makes sense we would have.

Q. Other than contact with the public information office, Pat Corton, did you have discussions with anyone at the Department of Justice on the Costa matter?

A. No.

Q. Are you aware, other than discussions with Mark Richard, of any communications between this office and Main Justice, on the Costa case?

A. No.

Q. Do you recall any meetings or discussions--

A. Wait a minute. I just want to clarify.

I am not personally-- that's the only one I have a total independent recollection of.

Now, since then I have heard Leon say he had discussed the case with others that--

Q. But at that time--

A. But at that time, I'm not aware of it, no.

Q. How many trips did Mr. Feldman make to Central America?

A. One.

Q. Did you have any contact on the Costa case, with Mr. Mathis, Mr. Garcia's attorney?

A. No, not directly, but that became a large part of my life, when that thing came out, that article, the accusations against Jeff for-- that Jeff allegedly told Mathis to butt out or he was going to do it to him, something like that.

By that time, because of the conduct-- a mother figure, whatever, but Jeff would come in, and he was down, would tell me, "I'm depressed," and I would boost him up, and when that happened--

Jeff is very young, and he was absolutely destroyed.

He was really beside himself. He called me at home that night. Really didn't know what to do next, just really upset, something like this had never happened to him, and from that point on, it almost became my mission to keep Jeff boosted up and going on this thing, and him saying, "It looks like everything I do gets looked at wrong. How can they say this to me."

That was a real important event in this whole scenario.

Q. You never had any personal contact with Mr. Mathis?

A. No.

As a matter of fact, until this happened, I have no knowledge of who he was.

Q. Up until, say, November of 1986, did you have any contact with any investigators from Senator Kerry's staff or any other Congressional investigators?

A. I may have.

You know, we got phone calls. May have gotten telephone inquiries.

Q. Were you ever interviewed by anyone

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from those staffs, from the Congressional staffs?

A. Over the phone or personally?

Q. Personally.

A. Well, I don't recall, but there was a time we were being visited-- in that fall, we were visited by lots of people, and again, that's another one of those things where I wish I had kept logs, where I did have things of who it was, because it would have been nice to know who it was now, but I don't recall.

I don't have any independent recollection of that.

Q. Did you ever have any personal contact with Murray Waas?

A. On the phone, and then I sat in on-- I think it was part of an interview he was having with Leon.

Q. To the best of your recollection, did Mr. Kellner tell Mr. Wass anything that departed from what you have related to us today?

A. No.

I thought-- what I was particularly angry at was because I think I was in the room for the part when he was asked, "Have you talked to the Attorney General."

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It was a-- it was two distinct questions, which when he wrote the article, merged into one.

The first part of the question was, "Did you talk to the Attorney General about the case," and Leon said, "No. No, except for that one event."

He said, "No. I never got a phone call from him. Never talked to him about it."

Q. All right.

A. And the second part of the question, "Did you talk to the Attorney General at all," and he said, "Maybe half a dozen times in my life," and when he wrote the article, he put it in such a way that it made it sound like, although Kellner talked to him, the Attorney General-- he did at least speak to him half a dozen times about it.

In the context of the way he put it, it was really pitiful the way he put it, and it bothered me that anybody would have done that.

Let me say that was my first loss of virginity with the press, and I said, "This is the end of trust now."

Q. Other than the pieces of correspondence or memoranda that we have discussed and the notes you have-- said you saw, do you have any recollection of seek or having input any other correspondence, memoranda, anything like that?

A. Well--

BY MR. GENZMAN:

Q. Any written products on the Costa case?

A. No. No, because other than that memo, I don't really remember any other major written product on that case, involved in that case.

Q. Let me ask the ultimate question.

To your knowledge, did anyone in this office or in the Department of Justice, give or receive instructions or suggestions that the case should be handled in a dilatory fashion or someone should go slow or words to that effect?

A. No, and you know what is really remarkable about this that really upset me to know end, if there was anything that we have after this whole thing came out, discussed, is how odd it was that nobody did anything or said anything, and that, you know, wonder-- maybe it was deliberately ignored or deliberately left alone, because somebody thought it might come back some day, but-- at the time it didn't seem to us it was going to be a highly charged case, just like another gun case in Miami, but now, I really-- the fact nobody did anything is kind of interesting, in itself.

Q. Since the time when Mr. Kellner and Mr. Feldman came to Washington to offer their depositions-- I think that was the end of April--

A. Yes.

Q. Have you discussed with Mr. Kellner or Feldman, what occurred at those depositions?

A. Yes.

Q. And on how many occasions?

A. When they came back, I was consumed with curiosity.

Q. Did they tell you what questions were asked?

A. Not specifically, other than the general topic matter was the go slow business, and then we know that, you know, Jeff was called back a second time, and he came back and he told me, "Ana, your name came up all of the time, you know, and now everybody wants to know if you said or did anything, to David," and I said, "Oh, great."

Q. In the course of any of these discussions, be it the discussion on the chronology or the depositions, has anyone ever suggested to you or asked you to say anything that wasn't truthful, or try to create a recollection you feel honestly you did not have?

A. No.

Absolutely not, no.

I'll tell you what-- this job just isn't worth it to have done it.

Q. Have you had any discussions with Mr. Leiwant about this case, since the day he came apparently to you and told you that he had been the source of the story?

A. Yes, and not of my making, because I really-- from the day he went-- and it was to Dick and I-- Dick and I were talking, and he came in and told us, you know, "I have been so totally uncomfortable about it," and knowing, you know-- going back and saying, "Oh, my God, how did this thing come up," just trying to avoid any further thing, and immediately--

We're in the provinces, but we're not that stupid, realizing that the next step, anything we say beyond this would be interpreted badly, no matter what we did, so we specifically just tried to stay away.

I made, you know-- David did come in to

see me a couple of times, and it was about news, so on, and usually-- more mechanical questions.

I think he was very upset when different events happened.

I recall a newspaper article the first time his name came out in the paper, he was very, you know, upset.

You know, he came to see me, and said, "Do you know that my name is in the paper," and I said no, and it was-- he had a friend. It was a paper in another city, and he had a friend that-- who called him up and told him, and I think it was Boston.

You know, it seems like it was Boston. I don't remember, and I said, you know, "Well, David, it's bound to happen."

You know, "What can I tell you?"

Then we had discussions about how he was going to go up there, I guess, when you guys talked to him the first time, the arrangements for the travel, and then when we heard that Hughes-- the Hughes Committee had voted to issue subpoenas and David was one of the people before-- he read it in the paper, and I went and told him that he would-- these things were going to be happening, and he was going to be, you know-- it was going to come out in the paper the next day.

Q. Did you ever discuss your varying recollections with Mr. Leiwant?

A. Yes, on the day he walked in and told us.

I think it was on a Monday, and it was in Dick's office, and I came in-- thought he was coming in to see Dick, and I was just leaving, and ~~I~~ he said " No, Ana. I want to tell you something," and he told us this, and my thing was, how could you say this-- if I was supposed to have been there, I never-- I have never been in a room when Meese called about anything.

BY MR. GENZMAN:

Q. Can you remember, the best you can recall, what he told you and Mr. Gregorie on that day?

A. I came in and he said he had been-- the reason he was coming forward, he had been called by Heydon Gregory and a reporter, and he felt it was going to come out eminently, and that he had to tell us that he had been in the room where-- at a meeting, although he doesn't remember Dick and Larry being there.

He just recalls it was me, Jeff and Leon, and that he thought that Leon-- he was there and Leon was talking on the phone, and that he got the impression that he was talking to someone from the Justice Department, that he may have said a name, like, Trotter, Jensen at the time. I don't recall.

When he got off the phone, he said something to the effect that, "They want us to go slow," and said he grimaced and-- "I knew it was a joke," and that was that, and he went to Atlanta-- he's in the appellate section of the office, and he had gone to an appeal in Atlanta soon after that, and he ran into this good friend, John Mathis, and at some point had a couple of drinks with him, and said, "Guess what I saw or heard," whatever, and you know, I just remember after that, it all registered, because until that point, until that very minute, that was-- I had no idea.

We were all running around, saying, "I know it's not me," and, you know, "It's you" and just all came together.

I said, "But you were only at that meeting when you brought in the printout for a few minutes," you know.

"Is that the meeting? Yes. That's the meeting."

I only remember-- just don't know how you could remember that, and I was there, and the only call I ever heard was from Mark Richard, but at that point, some sort of happening, where you realize, this is the time to stop talking, don't want you to change your mind. If that's what you believe, fine, so be it, but our recollection is different.

Q. What was Gregorie's response?

A. Stunned.

I don't think that Dick said anything, which is ironic.

You know, this whole thing was over, and we sat down together over it. I said, "Dick, you're the great criminal advisor. We didn't ask how, when, where, what, how many people did you tell, and all of the relevant questions we are dying to know, because you just--" it could have blown us away. There was no way we could have ever thought that.

Q. After that meeting, did you ever discuss the episode again with Mr. Leiwant, the different recollections?

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I asked you at the beginning, "Did you ever discuss it with him," and you said not of your own volition.

A. Yes, because after he was in Washington, he was deposed and he came back, and-- I don't know the timing, but after he was deposed, and Larry Scharf was sitting there, and I just started spontaneously talking about-- he said, you know, "Well, I'm glad it's over."

It was one of-- giving the impression it was all a big misunderstanding and it was kind of resolved.

He talked about it, and I don't really remember, because I know that Larry and I just kind of sat there, surprised, you know, it was like a little recollection of what he had said, and I think he wanted to tell us, "Look, I took care of it all," or, "It's all straightened out."

At least that's my impression of the conversation, but we studiously avoided questioning him, and saying although-- I think we did ask him, "You still don't even remember Larry being there," something like that, and I-- he probably said no.

That was the other time when that was

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discussed.

Q. This is probably a hard question to answer, but I got to ask it anyway.

Do you know of any reason why Mr. Leiwant would say this? Do you have any explanation for it?

A. For it?

Q. Yes, just different recollections, any motivation Mr. Leiwant might have to--

A. To have done that?

Q. To come up with this?

A. I don't, and that has caused me no end of sleeplessness, simply because I always prided myself as having a lot of insight to people, and why people do things, or where people are coming from and why things happen, and this is just one of the most totally perplexing things I have ever been involved in.

It's beyond me to understand it.

Moreover, I'm still just amazed that David has no-- at least that I can perceive comprehension of what has happened as a result of this.

I mean, he just doesn't appreciate-- he just thinks it's a slight misunderstanding, and it

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will go away.

He had no understanding of the incredible hurt it has caused to people, and the hurt it has caused him, which is kind of sad in another way, too.

Q. Do you know of any political motivations or personal animosities, that you are aware of?

A. No, simply because in the appellate section, I mean, it's a section in the office that just really isn't involved.

He-- until then, he always enjoyed the confidence of the U.S. Attorney.

I know he had been called in to work in special confidence, on projects and things, and the only thing that makes any sense, and it really could explain it, is simply that-- I don't say this happened for sure, but Mathis might have said, "I'm working on such and such a case," and he said, "I was there and they were discussing it," and talk, you know, exaggeration, you know-- I don't know, something to make yourself feel more important than you are, that you are in on something, and--

In fact, that doesn't really make

sense, but that's the only plausible explanation I could have for it.

Then being caught in a situation, you know, you're saying you never thought it would go beyond that.

You know, the old story, you tell your kids even if you tell a little lie, at some point it becomes a big lie, and then you're almost committed to it.

I don't know if it was political. It would-- I never have just thought of anybody here as being political in any way.

I don't even know whether they are Democrats, Republicans or what.

MR. MCGOUGH: I think those are the only questions that I have.

Do you have any further questions?

BY MR. GENZMAN:

Q. Just a few.

I heard you mentioned that Mr. Leiwant indicated it was just a misunderstanding.

A. That was the impression he gave me.

He gave me that impression from his deposition in Washington that day, and it was almost as though-- and I find this remarkable--

almost as if he was making light of it.

I guess it was to re-assure us, "Look, it's all solved, taken care of," almost a childlike innocence about it. It was amazing.

Q. Did he go into detail about the nature of the misunderstanding?

A. No, because we didn't want to get really in it, but that was just the impression, it was, like, it was all taken care of, and he explained everything, and it was all, you know, done.

I think it was, "Don't worry, guys. It's all resolved."

Q. Has he ever expressed any occasions that he had been confused or had exaggerated the incident?

A. Not to me. Not to me, but then, you know, maybe some day when this is over, I can say what did happen.

I just really would like to know what did happen.

Q. But to your knowledge, he has always stuck by his account of what happened?

A. I'm not really sure of what his account of what happened is, other than what he told us that day.

I have to tell you, my most vivid recollection is that I literally felt that I had a lump in my throat, when I finally realized, "David, it's somebody here."

You know, I think that's really what the overwhelming response was.

He gave an explanation at that point. I don't remember it specifically, you know, what would have made him do that.

Q. In conversations with you, his story has never been inconsistent, has it?

A. No, but then I have never known the story, so that's one thing.

Q. What I'm getting at, from what he has said on various occasions, have you found any inconsistencies or reservations or admissions of confusion or mistake?

A. Only in that he's just remarkably vague.

The story about the grimacing, because I know he didn't do anything, because-- "Leon went, who are they, and went ahead--" it's something that I don't even remember happening.

That's the only thing-- that He

repeated again, when he came back, that little part of it.

I remember that, so I guess he is sticking with whatever he said.

I would love to see what he said.

I would like to see his deposition, but then we'll all know, because Hughes will have it and it will be on TV.

MR. GENZMAN: I have nothing further.

MR. MCGOUGH: Nothing further. Thank you.

THE WITNESS: What I'm going to do is gratuitously add something, by the way.

MR. GENZMAN: We ask you to do that. Tell us the answer to questions we should have asked.

THE WITNESS: You mentioned I recall earlier something that triggered something that I recollected.

You said how many times had Jeff Feldman gone to Costa Rica, and I recall seeing Lewis [illegible] Tambs testify that there were two trips, and I came back to the office and I went to admin, and asked, "Did Jeff Feldman go to Costa Rica two times? Let me see his travel vouchers," and there was only one trip, so I went to Jeff and said, "You know, that man said you were there two times," and then we started-- he was confused.

It was not Jeff Feldman. It was John Mathis, because he testified at some public trial, and for some reason, either-- I don't know, whatever. I'm not going to say he would misrepresent himself, but he got misrepresented as a U.S. Attorney, and that created some kind of inquiry to this office about unauthorized travel by a AUSA, and I said, "That's what that was about."

We had an inquiry about unauthorized travel at the time, and that's my gratuitous comment.

MR. MCGOUGH: Okay.

(Thereupon the deposition was concluded.)

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CERTIFICATE

STATE OF FLORIDA:
: SS.
COUNTY OF DADE:

I, Stan Seplin, being a Certified Shorthand Reporter and Notary Public in and for the State of Florida at Large, do hereby certify that I reported in shorthand the deposition of Ana Barnett; that the deponent was first duly sworn; that the foregoing pages, numbered from 1 through 103, inclusive, constitute a true and correct transcription of my shorthand notes of the deposition.

I further certify that I am not of counsel, I am not related to nor employed by an attorney to this suit, nor interested in the outcome thereof.

The foregoing certification does not apply to any reproduction of this transcript by any means unless under the direct control and/or direction of the certifying shorthand reporter.

IN WITNESS WHEREOF I have hereunto affixed my hand this 22nd day of July, 1987.

Stan Seplin, CSR, NOTARY
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Stenographic Transcript of

HEARINGS

Before the

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF LINDA JUNE BARTLETT

Friday, June 12, 1987

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Washington, D.C.

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DEPOSITION OF LINDA JUNE BARTLETT

Friday, June 12, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Deposition of LINDA JUNE BARTLETT, called as a witness by counsel for the Select Committee, in the offices of the Senate Ethics Committee, Hart Senate Office Building, Washington, D. C., commencing at 10:14 a.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

VICTORIA NOURSE, ESQ.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

JAMES BLACK, ESQ.

On behalf of the White House:

C. DEAN McGRATH, JR.

Associate Counsel to the President

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WITNESS	EXAMINATION ON BEHALF OF SENATE	EXAMINATION ON BEHALF OF HOUSE
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BARTLETT EXHIBIT NUMBER	FOR IDENTIFICATION
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PROCEEDINGS

Whereupon,

LINDA JUNE BARTLETT,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION

BY MS. NOURSE:

Q Could you state your full name for the record, Ms. Bartlett?

A Linda June Bartlett.

Q And sometime during 1981 you came to be employed at the National Security Council?

A That's correct.

Q And at that time were you assigned to work with Ken deGraffenreid?

A Yes, I was.

Q And you left the NSC sometime during March of 1987; is that correct?

A That's correct.

Q And during that entire period you were assigned to Mr. deGraffenreid; is that correct?

A That's correct, except for a period of a month to a month and a half, two months. I was assigned to someone else.

Declassified/Released on Dec 21, 1987
under provisions of E.O. 12356
by D. Sirko, National Security Council

Q Who was that?

A Barry Kelly.

Q Could you just give us a quick description of your duties on behalf of Mr. deGraffenreid?

A I was his secretary. I typed, took dictation, phones, filed -- the usual.

Q Let me ask you some questions about our favorite system, System IV, and System IV documents. I understand that System IV documents are those that relate to covert action or are highly sensitive; is that correct?

A That's correct.

Q And System IV documents are kept in a separate file room or safe that is taken care of by Jim Radzimski; is that correct?

A He was in charge of those at one time.

Q He was the security officer in charge of System IV documents up until November of 1986; is that right?

A He left, yes, that fall.

Q And Brian Merchant took over from Jim Radzimski as the security officer in charge of the files; is that right?

A Yes. He took over temporarily, yes.

Q To your knowledge, did Jim Radzimski and his successor, Brian Merchant, did they -- how should I put this -- let me ask this a different way.

Did Mr. deGraffenreid, to your knowledge, supervise Mr. Radzimski and his procedures for taking care of the System IV documents?

A Supervise in what way?

Q Did Mr. deGraffenreid create the procedures to take care of those documents or did he approve the procedures that Mr. Radzimski would use to take care of the System IV documents?

A I don't know how to answer that.

Q If you don't know, you don't know.

A Mr. deGraffenreid was head of the intelligence.

Q And as head of intelligence he would have general responsibility for everything within the department, but you don't know specifically about the procedures; is that what you're trying to tell me?

A Well, since he was head of the intelligence directorate there and System IV documents were located there --

Q Did he have overall responsibility to take care of the System IV documents?

(Pause.)

Let's move on for a minute. Let me ask the question in a more concrete fashion. Would Mr. deGraffenreid and Jim Radzimski or, later, his successor have meetings, discussions about the System IV security procedures, to your knowledge?

A I don't recall any specific meetings. I think over the years they must have. There would have been something there.

Q On a day-to-day basis, if someone in the NSC wanted to see a System IV document would they go to Jim Radzimski? Would they go to Mr. deGraffenreid? Between those two, what would be the normal procedure?

A If they requested a document, then they would go to Jim, or they may call through me. It would just depend.

Q So you did get calls occasionally for System IV documents?

A On occasion.

Q They would call you and ask you to pass a message to Mr. deGraffenreid?

A If Jim wasn't there, or I'd say well, you'd have to talk to Jim or something like that.

Q Okay. Let me get this clear. If Jim Radzimski was not available for a System IV request, someone from the NSC might ask you to go look for the document, or would they ask you to speak to Mr.

deGraffenreid about the document -- just on a normal daily basis. I'm just talking generally.

A If Jim wasn't there, then of course they would go through me to request the document.

Q And was it your normal practice to then go to Mr. deGraffenreid and speak to him about getting the document, or would you go to the files and proceed to fill the request?

A As a procedure, I would probably occasionally speak to Mr. deGraffenreid. It would just probably depend on --

Q So on some occasions you might speak to Mr. deGraffenreid --

A And on some occasions I may just go directly to the files.

Q By the way, did you know Mr. Radzimski? I mean, was he a part of sort of a team in the office, or was he off on his own doing his own job? Was he integrated into the whole intelligence directorate?

A He was part of the office. He was working right in the office. He couldn't help but be part of the office.

Q Is where he works just physically close to where you worked? I'm just curious.

A Yes.

Q Did he keep what you considered to be a very close hold on the documents? Was he very protective of his domain, so to speak?

A Well, the documents were sensitive.

Q Was he generally considered a reliable person in the office?

A Yes. He was a dedicated, reliable person.

Q Let me ask you this. Could you just tell us who had access to the System IV files?

A Physically?

Q Physically, the hard copy in the safe. Who had the combination to the safe to have access to those documents?

A Well, realistically anyone in the office would have had access to the safes.

Q Anyone in the intelligence directorate?

A Yes.

Q And could you just name for us those people in the office, to make sure we have a clear record?

A At that time, of course, me, Mr. deGraffenreid, Mr. Canistraro, Mr. Major. Who else was there at the time? There was Jim, the secretaries there --

Q Kathy Gibbs?

A Kathy Gibbs and Pat Rawson. And Colonel May.

Q He was in charge of space programs, as I remember, a highly relevant topic to this investigation.

A Yes.

Q Were the combinations in a separate location, a central location -- the combinations to the safes -- so that if someone wanted to have access to the safe they could go to a drawer and look at the combination?

A Yes. The policy was to have them in one place and people would know that one safe combination in case there was a necessity to pull it out.

Q And everyone in the office knew where those were?

A They were supposed to. I can't vouch for them all.

Q Theoretically they knew.

Now I understand Mr. Radzimski kept a computer record of his documents in the System IV files. Were you familiar with that computer system at all?

A No. I never got involved with the computer aspect of it.

Q Do you know if anyone else in the office was either involved with the computer aspect of it or knew how to run the computer?

A That was brought up one time. I didn't have time to do it. Pat was trained on it briefly -- Rawson.

That must have been at least a couple of years ago -- briefly. I'm not sure if she remembers how to do it. That was quite a while ago.

Q Have you seen her actually using the computer ever?

A Oh, at one time. As I said, this was probably at least two or three years ago.

Q Were these occasions when you saw her using the computer two years ago, these are the times that you remember; or do you remember it occurring on and off?

A No. We were severely understaffed.

Q At the time?

A At the time.

Q So that when you saw her using the computer it was two or three years ago, or two years ago?

A To the best of my recollection, yes.

Q Was there anyone else in the office that was trained on the computer?

A No, not to the best of my recollection. No one else was trained.

Q Did Mr. deGraffenreid know how to use the computer, to your knowledge?

A No, not to my knowledge.

Q And you said that you yourself did not know how to use the computer; is that correct?

A That's correct.

Q I take it as Mr. deGraffenreid's secretary you had occasion to type in System IV documents; is that right -- type for him?

A Yes, that's correct.

Q And you would get a number from Jim Radzimski for the document; is that right?

A That's correct.

Q Okay. Did you ever have occasion to type a document that did not have a number and was termed a non-log document?

A When we submitted admin memos I don't believe we put them in the system.

Q By admin memos do you mean memos dealing with administrative affairs?

A Administrative matters.

Q These memos did not include highly sensitive matter?

A No. Those were usually unclassified.

Q That's why they didn't get a system number, because --

A Well, that was the procedure at NSC, whoever formulated the policy, but I'm not sure about that.

Q These were day-to-day, normal affairs. Okay.

Have you ever seen a non-log document? Did you see a non-log document in the course of your duties as Mr. deGraffenreid's secretary? What I mean by that is a document that on the upper righthand corner, instead of the System IV number you will see the term "non-log".

A I don't recall any specific particular documents.

Q Let me ask you again, to go back to the procedures for the System IV documents, if someone came to you and asked you for a System IV document, how would it be that that document would find its way back into the files? In other words, was there a procedure so that if an original was taken out of the files that it would go back in where it was found?

Was there something that you did when these requests came to you?

A Well, the person requesting the document would bring it back to the office. It would be logged back into the computer log, and then it would be filed back into the file itself, the hard copy.

Q When you say logged back into the computer log, if an original were taken out, there would be a computer entry indicating that it would be taken out, to your knowledge?

A That would be the procedure, yes.

Q How many times would you say that requests came to you for System IV original documents? Was it a normal event -- it happened every day -- or was it once a month, twice? I'd just like to get some idea.

A It's hard to say. It varied. There was no set pattern.

Q Let me see if I can get you to be a little bit more specific on that. How many times during the course of your duties in a year would a request be made to you to pull a System IV original -- ten times, 100 times? Can you give me any ballpark kind of figure?

A I really couldn't, because it varied -- people requesting.

Q Would you consider it to be a normal request for a System IV document, or would it be unusual for someone to come to you for a System IV document?

A It would be a routine request for somebody on the staff calling up for an intel report.

Q And would these requests come to you generally when Jim Radzimski was unavailable or would people just talk to you?

A It would depend.

Q Sometimes even if Jim might be available as well?

A It would depend. Since, you know, they knew I worked in the intel office, it just would depend.

Q What would you do when a request came in for a System IV original? You'd go to the hard copy, pull it?

A I would ask the person handling the System IV, if Jim was there, if he could. If not, then I would try to fill the request.

Q Okay. So normally if someone asked you for a System IV document you would go to Jim Radzimski and ask him to pull the document. He would do so. He would hand you the document, the original document. At that point would some entry be made somewhere to indicate that the document had been taken out of the System IV files?

A That would be the correct procedure, yes.

Q Would you make that entry somewhere? Would you make a written record?

A If he was not available, it should be on the computer, yes.

Q Okay. I'm sorry to be so dense about this, but if we can just back up a minute. If Jim Radzimski were there and you had a request for a System IV original, you would bring it to him, he would pull the hard copy. He would make an entry on his computer; is that correct?

A That would be the correct procedure, yes.

Q All right. If Jim Radzimski were unavailable and there was no one tending the files that day and someone had brought you a request, you would go in and pull the hard copy and then would you make a notation somewhere, a note for Jim, or what would you do?

A That would be the right way of doing it because I don't know how to work the computer -- writing it down on paper.

Q That's what I wanted to know.

A I would write a note.

Q You would write a note to Jim and say I took these documents at so-and-so's request -- something along those lines?

A Yes.

Q Do you remember any specific request for System IV documents in the year 1986?

A In 1986?

Q First of all, tell me how many times you think people requested documents, if you can, during 1986.

A It's hard to say. I don't know how many came directly to Jim.

Q Well, no, only those requests that came to you.

A Came through me?

Q Yes.

A I really don't recall.

Q Do you remember requests from Lieutenant

Colonel North during 1986 to pull a System IV original? Do you remember any such request?

A No, I don't recall that at all.

Q Do you remember any requests from Fawn Hall, his secretary?

A To the best of my recollection, I don't recall anything.

Q Perhaps earlier in date, covering 1985, do you remember any specific requests from Robert McFarlane for a System IV original document?

A No, I do not recall that.

Q How about from his secretary, Wilma Hall?

A No, I don't recall that either.

Q Back to 1986, do you remember any requests from Lieutenant Colonel Earl for a System IV original?

A No, I don't.

Q And Commander Coy for a System IV original?

A No, I don't recall that either.

Q Did Mr. deGraffenreid ever ask you to pull System IV originals for him? I imagine that during the course of his work with these documents that he might have.

A Well, it was Mr. deGraffenreid's habit, or he did like to work with original documents because of all the notes written on the original documents so that he could see. That was something normal for him.

Q The notes written on the originals, he wanted to see notes on the original documents, or the originals would be clean so that he wouldn't have to deal with notes on copies? Which one of those?

Let me ask the question in a simpler fashion. He wanted to see the originals because of notes that were written on the originals?

A Yes, any side margin comments or anything like that.

Q Okay. And so it was his regular practice to ask you for a System IV original and you would go to either Jim or to the files and bring him back the original document; is that correct?

A Yes, that's correct.

Q Let's go to November 1986. Did Mr. deGraffenreid ask you during November 1986, do you remember any specifics about documents that he asked you for during that period?

A I don't recall anything specific, no.

Q Let me ask you a question that I'm curious about. You mentioned to me that Mr. deGraffenreid liked to work with originals because of marginalia on the original. Do you know how that marginalia would arrive on that document?

A When we create the System IV documents they are information or action memorandums. They do go across to the West Wing for whatever purpose, and then when they come back it would sometimes have comments or notes or something to that effect on them.

Q So as a general matter it would likely be that the marginalia would be --

(A discussion was held off the record.)

MS. NOURSE: Back on the record.

BY MS. NOURSE: (Resuming)

Q I was in the middle of a question. The marginalia would generally be something someone had written in the West Wing, typically the National Security Advisor; is that right?

A Yes, it would be, typically.

Q Aside from that reason, do you know of any other reason why people would want to see the original as opposed to a copy?

A I can't answer for other people; I don't know.

Q Okay. It's just something I'm curious about. Generally when a System IV document would be requested, would you assume that the original was what the requester would want? Let me clarify that.

If someone came to our security officer and said I want X document, he would hand me a copy of the document, not the original, and I'm just curious whether it was a standard practice to hand out the originals or whether you would make a copy if a request came to you for a document.

A Could you repeat the question again, please?

Q Sure. Was it your normal practice to obtain the original from the System IV files upon a request for a particular document, or would you make a copy of that document and give it to the person who had requested it?

(Pause.)

Let me give you a hypothetical. Someone from the NSC calls up and says I want document 4002, and you say fine, hang up the phone. Jim Radzimski's not there. You are there. You go look for the hard copy of the file. Now you find 4002. Is it your assumption that the person wants the original at that point and you will hand him the original, making a note to Jim that you've done that?

A It would not probably be my assumption.

Q Would you ask the person in this case whether they wanted a copy or the original?

A If I were processing the document, I would probably just -- it would depend if they would want it as an add-on to their other package or, you know, the reason they want it. It would just depend.

Q What were the typical reasons that they would want -- you mentioned something about an add-on to a package.

A Yes. If there was a follow-on action or something to a package that was already initiated, yes.

Q So I've never been very clear about add-ons, I have to confess. Could you explain for us simply what the add-on procedure was or what an add-on memo is?

A Certainly. If the first document you initiated in System IV goes across the street and is acted upon by the Advisor or the Deputy, it comes back for further action. If it was necessary for you to resubmit another memo, you would probably usually do an add-on and retain the same original number, System IV number, so that it could be logged in together. It would be a good reference point.

Q Would you need the original System IV document when you were creating the add-on? In other words, you had suggested earlier that one of the reasons why one might request a System IV original is for the purpose of creating an add-on memo. I'm just not quite sure how that works.

A Hypothetically, if I was doing the package I would probably send over the original. It might be an attachment or something to the add-on package, so that the Advisor could see the original.

Q I see. Aside from that reason, are there any other reasons you can think of why one might request the original System IV document?

A I really do not know myself.

Q Let's go back to the situation about the difference between originals and copies. If someone called you up and asked for a System IV document and Jim Radzimski was not there and you'd go in and try and process the request, if the individual requesting the document did not say one way or the other, would it be your standard practice to make a copy of the document that's in the files and give the copy to the person requesting the document?

A I don't know if you would really say a standard practice. I guess it would just depend, you know.

Q But you did on occasion? On some of the requests you would make copies?

A Make copies of the System IV?

Q And keep the original System IV document in its file?

A I may have on occasion done that. I don't recall any specifics.

Q And on other occasions you would actually send

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the original to the individual requesting the document?

A I would send whatever, the System IV intel doc or report to the person.

Q You would send the original to the person?

A The intel report itself, rather than Xeroxing it.

Q Are these particularly long documents?

A Some of the intel reports are.

Q Let me go back again to how you would let Jim know that you had taken out an original or made a copy. It was your practice to leave him a note, is that correct, as to what action you had taken -- whether you had made a copy or processed the document by sending the original on? You would tell him what you had done so that the file --

A I would verbally tell him, if he were there, if he was going to be back, or I'd write a note or something if he was not there for a while.

Q Okay. Was there any other system by which those documents were kept track of?

A I don't understand.

Q Was there a log in which you would write I signed this document out to Admiral Poindexter, for instance?

A No, I'm not aware of any log.

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Q There was no other procedure aside from letting Jim Radzimski know by telling him orally or by writing him a note that you had taken the original and made a copy?

A That's correct.

Q Let me show you a note. I will mark this as Bartlett Exhibit 1.

(The document referred to was marked Bartlett Exhibit Number 1 for identification.)

No doubt you have seen this note before, since it was blown up and shown on television recently.

A So I understand, if this is the same one.

Q Let me ask you this. Aside from the television blowup version of this document, which is a series of seven System IV numbers, did you see this document ever prior to November 1986?

A No, I don't recall seeing this.

Q Let me ask you, because the question is slightly unclear, did you see it during November 1986 at any time?

A I don't recall seeing it during November. I was shown it later by the Independent Counsel, if this is the same one with my initials on it.

Q We'll get to that in a minute, but you don't recall seeing the note in this form aside from Independent Counsel or what you might have seen on TV?

A No, not to the best of my knowledge.

Q Let me mark this as Bartlett Exhibit 2.

(The document referred to was marked Bartlett Exhibit Number 2 for identification.)

Let me ask you first to focus on the lower lefthand corner, to a note signed JB, which appears to read: signed out to Ollie North, with the initials JB, all in a circle. Is that your handwriting?

A Yes. It's my handwriting. JB.

Q And JB are obviously your initials. Do you remember ever seeing this document?

MR. McGRATH: Let's go back and go slow. Is the handwriting, "signed out to Oliver North", is that your handwriting?

THE WITNESS: Yes. It appears that it is my handwriting.

BY MS. NOURSE: (Resuming)

Q And the initials JB are your initials?

A Yes, that's correct.

Q All right. Do you recall seeing this document, which is another set of System IV numbers with a handwritten note above it?

MR. McGRATH: Also we should reflect the fact that it is the same set of System IV numbers as Exhibit 1.

MS. NOURSE: That's right, Dean, the same set of System IV numbers, along with a handwritten note apparently signed Brian beneath those System IV numbers, and another handwritten note that we have just identified as being in the handwriting of Ms. Bartlett.

BY MS. NOURSE: (Resuming)

Q Do you remember ever seeing this document, aside from anything on television or before the Independent Counsel?

A I really don't recall this. I see my handwriting here. It was a request I processed and I see a lot of documents I don't remember each specific document.

Q Let me ask you the same question about the document without the note above the word Brian. This appears to be a note by Brian Merchant. Have you ever seen the document without that note on it? In other words, it would be a series of System IV numbers and simply your note about signed out to Ollie North.

A Without the Brian note?

Q Without the Brian note, yes.

MR. McGRATH: With just the circled part?

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BY MS. NOURSE: (Resuming)

Q With just the circled part and the System IV numbers.

A I don't recall it, no.

Q The reason I ask that is that it appears that one may be superimposed on the other and I don't know how the original form of the note might have been.

Let me ask you this. Could you identify what this reference here, which appears to be --

A It's a scribble.

Q It appears to be partly within the circle surrounding your note.

A BM, Brian Merchant.

Q I see. Do you ever remember seeing on another piece of paper, separated from the System IV set of numbers, this note by Brian Merchant?

A Separate from the numbers or what?

Q Separate from the numbers, yes. Do you remember seeing a note not necessarily attached to the System IV numbers and not necessarily with this notation that you've identified to be in your handwriting, but just simply a note from Brian Merchant indicating -- and I will read from the document -- "all originals attached except 401214", et cetera?

A No, I don't recall.

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Q Let me try and refresh your recollection about this. Do you remember at all an incident in November of 1986 in which Ollie North asked you to obtain some System IV documents for him?

A I don't recall any specifics like that, no.

Q Do you remember any incident in November 1986 where Fawn Hall came to you on behalf of Ollie North and asked for System IV originals?

A No. I don't recall that.

Q Okay. Did you ever have a conversation with Mr. deGraffenreid during November 1986 in which he said Ollie North wants some System IV originals?

A I don't recall anything like that, to the best of my recollection, no.

Q So Mr. deGraffenreid never asked you to sign out originals to Ollie North, to the best of your recollection, during November of 1986?

A To the best of my recollection.

Q Do you know whose handwriting the System numbers are in? Would you recognize the handwriting, if given to you?

A No. I do not know whose handwriting that is.

Q It appears that there are notations on the side that may be in different handwriting than the System IV numbers themselves. Does that notation, which appears to say "cover", do you know whose handwriting that might be?

A No, I don't know.

Q What about this reference to Yediot Aharonot?

A I don't even know what that is or whose handwriting that is.

Q Just for your information, it's an Israeli newspaper, so you get to learn something today.

A Now I know.

Q You know that that's an Israeli newspaper. Have you heard of this before?

A Only on testimony.

Q Testimony you've heard during the hearings? I see. Okay.

A Or maybe on the news. I don't recall.

Q So you don't know whose handwriting that is?

A No.

Q And this handwriting, "all originals attached except", signed Brian, would you recognize that as Brian Merchant's handwriting?

A I don't know if I've actually seen him write out more than a word or two. I see the signature there.

Q Based on that you would believe it would be his.

Let's look at the dates on the document.

There's a November 21, 1986, stamp date, and there's also a November 25, 1986 stamp date. It's unclear to me which of these dates refers to which of the notes, but let me ask you this.

During this period, November 21 to 25, 1986, there was a lot of -- there were press conferences, et cetera, about the Iran initiative, particularly on November 25, when the Attorney General announced the existence of the diversion memo. This was a period in which I assume that a lot of attention was paid at the NSC to the disclosure of the Iran initiative.

I am wondering if you can try and put yourself back in that period and remember anything that might have had to do with Ollie North and signing out original documents.

A The 25th was a Tuesday; is that correct?

Q That was Meese's press conference on that day.

A No.

Q You don't remember Ollie North coming to ask you for originals on that day?

A No.

Q Do you remember any other requests by anyone else on that day for a System IV original?

A No, I do not recall anything.

Q Do you remember on that day, November 25, 1986, did Mr. deGraffenreid ask you to pull a System IV original?

A I'm sorry. On what day?

Q November 25, 1986. This is the day of the press conference.

A No, I don't recall anything specific.

Q Do you remember any conversations on that day that Mr. deGraffenreid might have had with Oliver North?

A I have no direct knowledge of that.

Q By "direct knowledge", what precisely do you mean? Let me ask you another question.

A I don't know if he saw him out in the hallway or said hello. I don't know.

Q You did not overhear any conversations between Oliver North and Mr. deGraffenreid on that day?

A No.

Q Did Oliver North come to visit Mr. deGraffenreid that day, if you remember? That's the day of the press conference.

A I don't recall seeing Ollie in the office that day, in our office.

Q Do you recall seeing him in the office the previous Friday?

A In our office?

Q Which would be November 21.

A I can't remember what I did yesterday.

Q I have the same problem, I assure you.

A I don't recall if he was or not.

Q Do you remember any unusual activity in the office during that period, that Friday, November 21, Saturday, Sunday, Monday, Tuesday, when the press conference was held?

A You say the weekend. I wasn't working on the weekend, I don't think.

Q How about that Monday or Tuesday, the 24th and the 25th of November?

A I don't recall anything. Monday I was working as usual. Tuesday, of course, was the press conference.

Q Did you watch the press conference?

A I watched a few minutes here and there, yes.

Q Were you surprised at the revelations about the diversion?

A I was surprised.

Q Yes?

A Yes.

Q Let me ask you a final question on the note. To the best of your recollection, Mr. deGraffenreid never handed you either Exhibit 1 or Exhibit 1A and asked you to go look for originals?

A I don't recall anything like that, to the best of my recollection.

Q To the best of your recollection, Oliver North never handed you either Exhibit 1 or 1A and asked you to go get System IV originals?

A No. To the best of my recollection, he did not.

Q If you saw this note, would these documents mean anything to you? Would you associate anything with these particular numbers -- a type of document?

A Well, it would be a System IV number. Other than that --

Q You wouldn't recognize those numbers as associating them with any particular content of a document?

A No.

Q Did you ever have a conversation with Brian Merchant about pulling System IV originals for Oliver North during this period, November of 1986?

A I don't recall any specific conversation.

Q Do you recall any general conversation?

A I don't recall any, no.

Q To your knowledge, had Brian Merchant taken over from Jim Radzimski at this time, November 21 through November 25, 1986?

A Jim was not there. He had already left.

Q He had already left at that time.

Were your procedures with Brian for taking out an original System IV the same as with Jim? In other words, if you had taken out an original you would leave Brian a note, as you would for Jim?

A The procedures were not changed from Jim to Brian.

Q Okay.

A To the best of my knowledge.

Q To the best of your knowledge Brian didn't require you to do anything if you had processed a request in his absence?

A No.

Q Would it be correct to say that this note on the bottom of Exhibit 2 "signed out to Ollie North, JB" would be the standard kind of note you would leave for Jim or Brian if you had taken out an original document and given it to whoever had requested it?

A If I had retrieved a document from System IV, that would have been the standard.

Q By this you would tell him who had obtained the original documents?

A Yes, because it needed to be accounted for.

Q Would you follow up on original requests ever? Would you go back to the person and say, hey, where's that original?

A Things are hectic in the office. I would assume they would return it when they were finished with it.

Q Was that basically Brian or Jim's job, to follow up on the original requests?

A I would think that would be one of their --

Q You yourself never called or had occasion to call someone and say bring that original back?

A I don't ever remember doing that -- an original intel doc or report or something back.

Q It was not your standard practice to keep track of these documents?

A No. I had too much other things to do.

Q Let me ask you some general questions about your boss, Mr. deGraffenreid. What was his relationship like to Ollie North? Were they close friends?

A I would say they were friends, as with the other staff members.

Q Was Colonel North often in the office?

A He came in the office occasionally, no set pattern. It wasn't every day. He did come in the office on occasion.

Q Do you ever remember a time in 1985, the summer of 1985, when there were inquiries made by

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Congress about Colonel North? Do you remember that period of time at all? Do you remember the inquiries being made?

A In 1985?

Q Yes, just generally.

A I don't recall anything.

Q You don't recall that. Do you recall ever during the summer of 1985 -- and this is when the inquiries were being made -- that you had a request to pull System IV documents, a number of System IV documents?

A In '85?

Q Yes.

A I don't recall.

Q I know it's a long time ago. That's why I was asking you about the inquiries about Colonel North, because I thought that might help you locate it in time.

Q Do you remember ever hearing Colonel North and Mr. deGraffenreid discussing the issue of the inquiry about Colonel North and his activities with the contras? Do you remember overhearing any conversations about Congressional inquiries of Colonel North?

A No, I do not.

Q Let me tell you this. From what we know, we know that there were documents pulled during this period

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to respond to Congress' requests, and these were System IV documents, and Brenda Reger had various people working for her to determine what were the relevant documents, including Jim Radzimski. Do you remember that incident at all -- Brenda Reger dealing with Jim Radzimski and pulling documents for Congress' inquiry?

A Now what time?

Q This is during the summer of 1985, August or September.

A No, I don't recall that.

Q Do you ever remember Jim Radzimski discussing with Mr. deGraffenreid during this period, August or September of 1984, the pulling of System IV documents?

A In '85?

Q This is in the summer of '85, whether there were any discussions between Mr. deGraffenreid and Jim Radzimski relating to pulling documents for the Congressional inquiries of North.

A I don't recall any of that.

Q Do you ever remember any conversations in which Mr. deGraffenreid asked Jim Radzimski to pull the documents that are identified in Exhibit 1?

A No, I don't recall that.

Q Do you remember Mr. deGraffenreid making a comment to Mr. Radzimski such as well, Jim, I asked you to pull those System IV documents; where are they? Do you remember some sort of exchange about Jim failing to fulfill a request during the summer of 1985?

A No. I don't recall that.

Q Do you ever remember hearing, whether in 1985 or 1986, of an occasion when Mr. Radzimski failed to fulfill a request for a document for an individual?

A No, I don't.

Q Let me ask you the basic question that we ask everyone around here, and that is when did you first learn of the Iran initiative? Was it when you heard about it in the press or had you heard about it earlier?

A In the press, the news, media coverage.

Q And by Iran initiative I meant the sale of weapons to Iran.

A In the media coverage.

Q Okay. Had you ever heard, prior to Attorney General Meese's press conference on November 25, about a diversion of funds from the Iran arms sales to the contras?

A No, I didn't.

Q Was it standard practice for you to see all System IV documents? In other words, when members of the NSC created a System IV document outside the intelligence directorate, would the documents -- would a copy go to you to go through to the files, or would the copy go straight to Jim Radzimski?

A It would be addressed to Jim. Someone may drop it off at my desk or leave it in the mailbox. If I picked up the mail, of course, I would get it and put it at his desk. But I did not review them.

Q Do you did not review the documents?

A Yes.

Q You simply transported them?

A To Jim, if they came across my desk, but they should go directly to him.

Q In any event, let me show you what is now famous as the diversion memo. You can mark this as Bartlett Exhibit 3.

(The document referred to was marked Bartlett Exhibit Number 3 for identification.)

Bartlett Exhibit 3 bears our Bates stamp number N-590, and I will disclose to you that this is the diversion memo and several pages on there is a key paragraph which begins: $12 million will be used to purchase critically-needed supplies for the Nicaraguan democratic resistance.

Do you ever recall seeing this document? I'll give you a few minutes to read it, if you want.

(Pause.)

A No, I don't.

Q You don't recall ever seeing that document, Exhibit 3?

A No.

Q Do you recall any specific conversations that might have taken place between Mr. deGraffenreid and Oliver North concerning the contras, any specific recollection of overhearing a conversation?

A No.

Q Any specific recollection of a conversation related to the sale of weapons to Iran?

A No.

MS. NOURSE: Can we go off the record for a minute?

(A discussion was held off the record.)

BY MS. NOURSE: (Resuming)

Q I understand that you don't recall the specific incident involving Oliver North and the note that appears on Exhibit 2 in your handwriting. Would it have struck you as unusual for Oliver North to come to you for a System IV original, if in fact that was the case, as the note seems to indicate?

A Unusual?

Q Was it unusual? Had it ever happened before, to your recollection, first of all?

A I don't recall any such.

Q Okay. Apart from whether you recall any specific incidents involving Oliver North, if, for instance, he had called you up, would you think that that would be a strange incident, that he would be asking for a System IV original?

A If he called me up requesting a document, it would just be a routine. It would not be strange to me.

Q Do you have any specific recollection of any incidents in which he called you for a System IV original document?

A No. I don't have any recollection of that.

Q And would that include Fawn Hall, on his behalf -- any specific recollection of Fawn Hall requesting a document for Oliver North?

A No, I don't recall that.

Q And no specific recollection of Mr. deGraffenreid asking you to pull documents for Oliver North?

A I don't recall that, no.

MS. NOURSE: I want to thank you, Ms. Bartlett, for appearing and cooperating with us in this investigation and thank you for putting up with my repetitive questions about Exhibits 1 and 2, which I will clarify for the record, if I mentioned 1A, that I was referring to Exhibit 2. That's the document marked with our Bates stamp N-16346A. Exhibit 1 bears our N stamp 16346.

I thank you again, Ms. Bartlett.

MR. McGRATH: Just for the record, we should probably consider this deposition Top Secret.

____

Signature of the Witness

Subscribed and sworn to before me this _________ day of

____________________________, 1987.

____

Notary Public

My Commission Expires: ______________________________

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by P. Roger, National Security Council

NOV 21 1986

All originals attached except 401214. According to computer, all cys of 401214 were destroyed. Please return these originals to me when you have finished.

Brian

Brian
Sent to Ollie North

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RELEASE OF AMERICAN HOSTAGES IN BEIRUT

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

-- not object to the Israeli transfer of embargoed materiel to Iran;

-- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September ~~14~~ 13, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eight hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with [redacted] the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need to establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that the hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it also became apparent that our conditions/demands had not been accurately transmitted to the Iranian Government by the intermediary and it was agreed that:

-- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediaries.

-- A subsequent meeting would be held in Iran with senior U.S and Iranian officials during which the U.S. hostages would be released.

-- Immediately after the hostages were safely in our hands, the U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1985 transfer.

Partially Declassified/Released on 8 July 1987
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In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provided.

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26, [redacted] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [redacted] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [redacted] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [redacted] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran. [redacted] A Farsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

-- By Monday, April 7, the Iranian Government will transfer $17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of $15 million.

[redacted]

[redacted] UNCLASSIFIED [redacted]

-- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer $3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.

-- On Wednesday, April 9, the CIA will commence procuring $3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to [redacted] This process is estimated to take seven working days.

-- On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts at [redacted] and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.

-- On Saturday, April 19, McFarlane, North, Teicher, Cave, [redacted] and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran. [redacted]

-- On Sunday, April 20, the following series of events will occur:

- U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.

- At A+7 hours, the U.S. hostages will be released in Beirut.

- At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bandar Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

-- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

[redacted]

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[redacted] UNCLASSIFIED [redacted]

-- [redacted] Gorbanifahr specifically mentioned that Qhadhaffi's efforts to "buy" the hostages could succeed in the near future. Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.

-- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.

-- [redacted]

-- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.

-- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq. [redacted]

-- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs, [redacted]

-- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages. [redacted]

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[redacted]

[redacted] UNCLASSIFIED [redacted]

-- The residual funds from this transaction are allocated as follows:

  - $2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.

  - $12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally-approved lethal assistance (beyond the $25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating [redacted] Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____ Disapprove _____

Attachment
Tab A - U.S.-Iranian Terms of Reference

UNCLASSIFIED [redacted]

[redacted] UNCLASSIFIED [redacted] N 587 [redacted]

TERMS OF REFERENCE
U.S.-Iran Dialogue

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

-- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.

-- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.

-- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.

-- At the same time, we are prepared to resolve political problems on the basis of reciprocity.

-- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.
- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.
- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.
- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages/return of those killed (over time) is essential.

[redacted] UNCLASSIFIED [redacted] [redacted]

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N 588

- We see your activity in many parts of the world, including even Central America.

- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.

- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

- Second, we have no interest in an Iraqi victory over Iran. [redacted] We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. [redacted] But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

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[redacted] UNCLASSIFIED [redacted]

III. SOVIET MILITARY POSTURE

-- Moscow has designs on parts of Iran. [redacted]

-- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

-- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

-- U.S. is aware of Soviet activity [redacted]

-- Soviet plans [redacted] How they would do it.

-- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult ($100 million in oil last year, plus arms).

-- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

-- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.

-- U.S. can provide humanitarian assistance for refugees [redacted]

-- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

-- We may be prepared to resume a limited military supply relationship.

-- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.

-- What does Iran want?

UN[redacted]D

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DEPOSITION OF JAMES H. BASTIAN

Friday, February 13, 1987

House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D.C.

The select committee met, pursuant to call

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Committee Hearings
of the
U.S. HOUSE OF REPRESENTATIVES

Partially Declassified/Released on 12-17-87
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DEPOSITION OF JAMES H. BASTIAN

Friday, February 13, 1987

House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D.C.

The select committee met, pursuant to call, at 10:00 a.m., in Room 2226, Rayburn House Office Building.

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MS. NAUGHTON: Would you raise your right hand, pleas

(Witness sworn.)

BY MS. NAUGHTON:

Q Could you please state and spell your name?

A James H. Bastian, B-a-s-t-i-a-n.

Q As an introduction, my name is Pamela J. Naughton, N-a-u-g-h-t-o-n, I am Staff Counsel to the Select Committee on Covert Arms Transactions with Iran, and I will be doing the questioning today. If the people in the room would please state their names and positions for the record?

MR. VAN CLEVE: George Van Cleve, Deputy Republican Counsel for the select committee.

MR. BUCK: Kenneth R. Buck, on the staff of the select committee.

MR. BERMINGHAM: Robert A. Bermingham, spelled B-e-r, an investigator with the House select committee.

MR. BECKMAN: Robert M. Beckman, Attorney for Southern Air Transport.

MS. NAUGHTON: It should be noted for the record that this is confidential testimony that we are taking today.

BY MS. NAUGHTON:

Q Mr. Bastian, where do you live?

A 140 Arvida Parkway, Coral Gables, Florida.

Q How old are you?

A 59.

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Q How long have you lived at that address?

A Since November of 1984.

Q And your occupation?

A Aviation executive.

Q How long have you been an aviation executive?

A Well, I have been both an aviation executive and a practicing attorney for a number of years, kind of overlappin I would say that I got very much involved in probably half my time as an aviation executive in 1970, say, January 1, 1974.

Q Could you tell us what your educational background is?

A I have a Bachelor of Science degree in business administration from the University of Missouri, and a jurisdoctorate from George Washington University.

Q Any other education beyond the jurisdoctorate?

A No.

Q Could you tell us just generally what you did prior to your involvement with Southern Air Transport?

A I practiced aviation law in Washington, D.C. I graduated from George Washington University in 1956. I am a member of the District of Columbia Bar, the Virginia Bar and the Maryland Bar. I joined a law firm immediately upon graduation that represented Capitol Airlines, and basically practiced business law and aviation law.

Q What law firm was that?

A Adair, Ulmer, Murkison, M-u-r-k-i-s-o-n, Kent and Ashby.

Q For how long were you with that firm?

A Until 1961.

Q And where did you go from there?

A I was then employed by Air America as counsel in Washington, D.C.

Q From what years?

A October 1961 until December 1963.

Q Now, at the time you were employed by Air America as counsel, was it owned by the Central Intelligence Agency?

A Yes, it was.

Q Were you an employee of the Central Intelligence Agency?

A I was not.

Q Would you explain how that worked?

A I worked for Air America, a Delaware corporation, and they paid my salary.

Q Did the CIA own all the stock of Air America?

A Yes, it did.

Q And the assets of Air America?

A Was owned by the corporation.

Q Who was your immediate supervisor at Air America?

A George Doole, D-o-o-l-e.

Q And what was his position?

A Director -- what did they call him -- he was the Chief Executive Officer -- it was called Managing Director of that company.

Q And was he a CIA employee?

A I believe he was.

Q What was your function as counsel to Air America at the time?

A Primarily my job was to take care of their business interests in aviation interests before the Civil Aeronautics Board and the FAA and contracting work. It was more commercial than anything to do with the CIA.

The company probably 90 percent of its business -- I really don't know -- was just plain commercial business. That was primarily my function. I stayed on the commercial side

Q Did you handle anything of the remaining 10 percent that was done for the CIA?

A I didn't get involved in that much, no. They had a need-to-know type approach, and I wasn't involved in that primarily. I knew, of course, that they were owned by the CIA, and I knew most of the people involved with things proprietary.

Q Why did you leave the law firm to go to work for Air America?

A Capitol Airlines at the time had financial problems.

They were purchased by United Airlines, and the law firm that I was with was based in Jacksonville, and I had never really worked with them in their Jacksonville office, so we only had a small -- it was about a five-member office here in Washington serving the Capitol account, plus a few other aviation accounts, Macke Airlines and a few others, and I didn't see a good career opportunity anymore.

I had my options of either going with United's law firm in Chicago or going to Jacksonville, or looking for work in Washington, and I chose to stay in Washington. And this was a job I saw advertised in the paper.

Q It was advertised?

A Yes.

Q And you interviewed for the position?

A Yes.

Q Now, you are familiar, through your counsel, of course, and other interviews, what our investigation is looking into, and the personalities and people involved.

Could you tell us, was there anybody either employed by Air America or connected to Air America as either a customer or in a managerial capacity that is related to the investigation that we are currently undertaking?

A No.

Q Now, you left Air America in December of 1963; is that correct?

A Yes.

Q Why did you leave?

A Because when I joined Air America, I didn't know that it was a CIA proprietary. I was told after the fact, and began immediately looking for other careers. I didn't see it as a long-term career opportunity, because I didn't feel that it was an airline that would be around forever.

Q What gave you that impression?

A Well, it was owned by the government, and the government was not generally engaged in aviation, long-term wise. They might be there for a specific purpose, but not -- it was not going to be there forever.

Q What was the specific purpose you felt it was for?

A It was proprietary to give them cover, I guess, to do work in the Far East, in Southeast Asia, given a commercial presence there so they could carry on activities that they felt were necessary for their country.

Q At that time, what relationship, if any, did Air America have to Southern Air?

A Southern Air was also owned by the CIA at the time, and I also worked with Southern.

Q What did you do in that capacity?

A I did primarily all of their legal work, but not by name, because at that time, the management group that was managing Air America could not be shown to be managing Southern

Air Transport. They were two separate companies, and they shouldn't be together at the top. So, in fact, George Doole was managing, was in fact the chief executive officer of Southern, but he wasn't shown as that in the corporate records.

Q Who was?

A Stanley Williams.

Q Who is Stanley Williams?

A Stanley Williams was a gentleman who was with Southern Air Transport in management. I think he was a secretary at the time it was purchased by the CIA, and it was a company that was based in Miami and they kept that management in place, and it ran pretty much as it did before they acquired it in the Miami, Caribbean, South America, and he was the President.

Q Could you explain for us why Southern Air was purchased and why not all of the CIA operations were done by Air America?

A Well, at the time, which was 1961, they had a series of accidents in the Military Airlift Command, I guess it was called Military Air Transport then, that were unfortunate, and the Military Airlift Transport, airlift transport, was purchasing their airlift from various airlines on a competitive bidding basis.

A lot of people were going broke, they were bidding too low, and so, I think DOT put out some kind of order saying that they would not do business with anybody except those with a certificate issued by the Civil Aeronautics Board or some operating authority issued by the CAB.

Air America did not have that certificate. Southern Air Transport did, plus a lot of other what we called then large irregular carriers, so they purchased it to carry on an activity in the Far East which in fact, Air America had been doing before.

It was an operation of DC-6 airplanes that flew up and down the China coast with a Military Airlift Command contract from Tachikawa, Japan; Okinawa; and down to Bangkok. It was routine cargo, the Stars and Stripes paid for kind of a communication network, and the CIA felt they needed that to do covert missions from time to time, to give themselves a commercial presence in the Far East that would permit them to do covert missions from time to time.

So, not having qualified under the new rules, they acquired a carrier that would qualify, and the business that Air America was then doing.

Q In addition to George Doole, were there any other employees of Air America of whom you were aware that were also employees of the CIA?

A Not in the Washington office. I think there were a number in the Far East. The Washington office was relatively small. The operation of Air America and its subsidiary, Air

Asia, was based in the Far East, and there they had numerous employees I think at the time, one time up to 8,000 probably --

Q How many?

A 4 to 8,000, something like that. I think the maintenance base of Air Asia Company, Limited, had about 4,000, and Air America about 4, I think it was about 8 at one time. It was a very large operation and primarily a commercial operation.

Q George Doole, do you know whether or not he is still living?

A He is not.

Q When did he die?

A A couple of years ago.

Q What was his profession at that time? Was he retired?

A Retired. He was just a consultant.

Q Now, I have got you up to 1963, when you left Air America, where did you go?

A I just went out and started practicing law on my own, singly, by myself.

Q In Washington, D.C.?

A Yes.

Q What was your client base at the time?

A I didn't have much of one. Air America then started using me, they hired an attorney to replace what I was doing, but they also continued to use my services. And Southern Air continued to use my services.

I did work for them kind of without attribution.

Q Did you have any other client base?

A Yes, I had a number of local clients. I can't rememb them all.

Q Were they airline companies?

A Some of them, Southeast Airlines was an airline company. What was the one -- Sound Air in Canada. I can't remember them all, it has been so many years. They were small, most of them were small carriers, and other small businesses locally.

Q And for how long did you continue this solo practice?

A Until about 1966, middle of 1966, and then I joined Daggett Howard or Tilford Jones and Harvey Poe and refor a firm.

Q That is a law firm?

A Yes. It was a law firm. Howard, Poe and Bastian.

Q You mentioned Daggett.

A Howard -- that was his first name, Daggett.

Q I see. Was that in Washington, D.C.?

A Yes, it was.

Q Did you have the same type of clientele?

A Yes.

Q How long did that partnership last?

A Until about two years ago.

Q Where you an active partner in that law firm?

A Yes, I was.

Q You were active until you moved to Florida?

A I was active until 1979, I would say, 1979. Becoming less and less active over the years, but I was an active practitioner of law until 1979, at which time I turned all my clients over to my partners and stayed a partner of the firm, but didn't practice any more.

Q Did Air America and Southern Air continue to be clients of your law firm from 1966?

A Yes, they did.

Q And did you continue to do work for Southern Air under the name of Stanley Williams or under his umbrella?

A Stanley Williams was President of the airline, probably in 1966, and I began representing Southern openly. I didn't do it primarily when I was --

Q Their corporate counsel?

A When I was their corporate counsel, because I was corporate counsel for Air America.

Q Okay. When did you assume a position with Southern Air?

A 1974.

Q What was that?

A Vice President.

Q How did you come about?

A Well, that was after Stanley Williams acquired the company from the CIA, and he just wanted me to be an officer in the company. I guess I was also secretary.

Q Where did Williams get the money to buy Southern Air from the CIA?

A He borrowed it from the First National Bank of Chicago, and mortgaged all his personal assets.

Q Why did he buy it?

A I guess I would have to ask Mr. Williams.

Q Why do you think he bought it?

A Because it was an opportunity, it was his life's work, and the CIA was going to sell it, either that or discontinue it, dissolve it, and there were a lot of people that worked for the company that he had been associated with all his life and this was his life.

Q When he -- when the CIA owned Southern Air, did Williams have any operational role in the company, or was he simply a figurehead?

A No. He ran the Miami operation pretty much on his own. He had to report to the Board of Directors and had to get typical approval from the stockholders to do an airplane purchase or something like that, but he was given quite a free hand to run it like it had been run before.

Q At the time that he purchased it in 1973 or 1974, there was -- was there a suit or some sort of action filed by the employees of Southern Air?

A Yes, shortly thereafter, about two months.

Q Could you explain that to us, please?

A I don't know really how to explain it, other than they got a hold of a lawyer in Florida and brought an action -- I am not quite sure why -- to set aside the purchase on the basis that -- I really don't know. I guess because they thought they were entitled to it.

Q Was it their claim that they were Federal employees?

A I don't think in that lawsuit it was. I think some of them brought such a suit later on.

Q Were you involved in that litigation in any way?

A I was there and I was counsel to the company and attorney to fight it, yes, I didn't do it myself, because I didn't feel qualified in that area, and I am also not a member of the Florida Bar.

Q Who was the name of the attorney you hired?

A I don't remember -- yes, I do, Don Nicholson.

Q Where is he located?

A He was in Florida. He has passed on.

Q What was his law firm?

A Nicholson something.

Q Was it a sole practice?

A No. Nicholson-Brawner, I think it might have been.

Q Are they still in business?

A Possibly. We don't use them.

Q What city?

A Miami.

Q What law firm represented the employees?

A I don't remember that.

Q Who would have that information?

A Maybe you could get it out of the court.

Q Would anybody else connected with Southern Air or Air America or anyone else you know have that information?

A I don't know. I might have a file on it, but I doubt it. It is possible I have a file on that.

Q Would that be at your Southern Air office?

A Yes.

Q Would you check that, please, for us?

A Yes.

Q Thank you.

Was that suit filed in Federal or State court, do you remember?

A State court, I believe, but I am not sure of that either. Federal Court, on second thought. I think it was Federal Court.

Q Were you a named defendant?

A No.

Q Who was named defendant?

A Southern Air Transport, maybe Mr. Williams, I am not sure.

Q From the period you became Vice President of the company in 1974, what did you do for Southern Air?

A I did most of their contracting, their CAB work, legal work, just anything they needed to be done legally. Also business, I did a lot on the business side for them.

Q Now, were you paid a salary beginning in 1974?

A No, I wasn't. I think I went on the payroll in 1978. I was just paid by the hour.

Q Why was the difference in 1978?

A I don't know. It just seemed easier, I think.

Q You didn't assume any other duty or office?

A No, not really.

Q In this period from 1974 to 1978, aside from Mr. Williams, who was on the Board of Directors?

A I was, and Bud Eason -- Vernon Eason, E-a-s-o-n, and Mr. Williams.

Q Had Mr. Eason been affiliated with Air America?

A No. He had sold insurance to them. He was an insurance broker in Miami with Alexander and Alexander.

Q And why was he chosen for the Board?

A He was an old friend of Mr. Williams and Mr. Williams had a lot of respect for his business judgment.

Q Was anyone added to the Board prior to your purchase of Southern Air?

A No.

Q Now, besides Mr. Williams, who I take it acted as CEO during this period --

A Yes, he did.

MS. NAUGHTON: Let the record reflect a relief court reporter came in the room.

BY MS. NAUGHTON:

Q Aside from Mr. Williams, who I gather operated as CEO during this period, who else were the managers?

A Howard Hinton was Director of Maintenance, William Dunn was Director of Operations. William Gilmore was Treasure

And that was primarily the management group.

Q What about sales?

A Sales -- they didn't have too much in the way of sales, and I guess Dave Williams was -- I don't even know what his title was -- Director of Sales.

Q What about Mr. Crummey, when did he begin with them?

A He came after Mr. Williams had retired, and he joined the company in -- I guess it was in the fall of 1973. Mr. Gilmore retired then. I mean 1983 -- I am sorry. I said 1973 -- 1983.

Q Was he chief financial officer beginning in 1983?

A Yes, he was. He was Senior Vice President, Finance.

Q When did he retire?

A He resigned, I think about a year -- let's see, 1973 -- I mean 1983 -- 1984, 1985, I think, in the fall of 1985.

Q Do you know why he resigned?

A He just wanted a different lifestyle. He moved to the West Coast of Florida and bought a house there, and just wanted to do private investments or something he said. He did a little CPA work in the small community of Tarpon Springs he located in.

Q Could you spell that?

A T-a-r-p-o-n Springs. He is not actually there, he is nearby there. It is on the west coast of Florida.

Q What community is he actually in?

A I don't know.

Q Would you have his current address in your records?

A Yes, I would.

Q Why?

A I just assume the company has his current records in their files. He is a friend. I don't have it personally.

end md

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f[illegible] stein

Q Now, when did you actually purchase Southern Air?

A I acquired 20 percent interest in the company in 1974. I acquired another 20 percent of the company in 1975 and then through a stock redemption, the redemption of Mr. Williams' stock, I became 100 percent stock owner in 1979.

Q And where did you obtain the capital to purchase?

A Savings and real estate investments in Washington, D.C. over the years.

Q You didn't need to take out any loans then to --

A I took out loans on my real estate. I sold some of it. I think Mr. Williams financed part of it which I paid him out over the years. But basically I paid it out by selling real estate.

Q Now, at the time you purchased Southern Air, do you recall how many aircraft it owned or leased?

A When I purchased it in '79, when I took control in '79?

Q Yes.

A We had three airplanes owned.

Q What were they?

A They were Hercules L-100 aircraft.

Q All three?

A Lockheed Hercules L-100.

Q Is there a military equivalent?

A Not really the equivalent, but it's a -- C-130 is the military version of that airplane. The military version is a little shorter. These have been stretched, but basically they have otherwise the same systems.

Q Did you lease any aircraft?

A Not at that time. We had in the past. We had leased and bought airplanes, but we are talking after '79 or at '79. That is the question, wasn't it?

Q Yes.

I had one question for you if we could back up. In the record you gave me regarding Mr. Houston's, I guess testimony, was it, he mentioned that a former CIA Director had lobbied to have Southern Air merged with some other company that was unnamed when the CIA divested in 1973. Were you aware of that or do you know what that reference is?

A I think that is a misreference. I don't know. I have read that article numerous times and, of course, I was very familiar with what was going on and I don't recall that.

MR. BECKMAN: What page was it?

MR. VAN CLEVE: May I ask whether there is an additional copy of the document? I don't recall that we had one produced to us. I have not previously seen the document.

MS. NAUGHTON: I just received it from Mr. Beckman's law firm.

MR. VAN CLEVE: When, may I ask?

MS. NAUGHTON: Two days ago?

MR. BECKMAN: Whatever the date of the letter is.

MS. NAUGHTON: It's dated February 10, 1987, just confirming our deposition.

THE WITNESS: It must be in the archives. It's a document of the Congress.

MR. BECKMAN: I just wanted you to look at it when she shows you the page.

MR. VAN CLEVE: I'll be happy to give it right back to you after I take a look at it.

MS. NAUGHTON: I can't find it. I should have written a page reference, but I can't find it at the moment. Perhaps Mr. Bermingham, when he comes down to Miami, we can discuss it and refresh your recollection and whether you know anything about it. He can speak to you further about it.

THE WITNESS: Ask the question again.

BY MS. NAUGHTON:

Q There was a reference to a former CIA Director at the time. This would have been in the early 1970s when, apparently, there was some problem with the competitors of SAT feeling that a sale back to Williams would have damaged their competitive stance in the markets in which SAT was serving, and at the time apparently there is reference to a former CIA Director managing several meetings and putting together several meetings with CIA officials regarding the merging of Southern Air with another existing company, only it doesn't make reference to which existing company?

A I don't think -- I think that maybe there is a mixup on that between the Southern sale and the Air America close down maybe because there was some activity on the Air America close down, I think, and attempts to buy that company. E-Systems was one of the people that was interested and ultimately did, in fact, buy Air Asia Company Limited, the maintenance base in Thailand, and there was an ex-CIA Director, I forget his name now, who was out in the community then as a consultant that might have been instrumental in bringing the parties together. But this is all hearsay. Other than what I read in the papers, I don't have any personal knowledge of this.

Q That is E-Systems?

A Yes. But I don't think they were after Southern Air. There was a lot of press at the time and a lot of activity by Southern Air's competitors to persuade the CIA to dissolve the company rather than to sell it because that would give a potential competitor -- obviously they would have that interest, not that it would serve, not that they would be damaged unfairly by its continuation, but just they would like to get rid of it and there was a lot of attempts on the Hill at that time, lots of pressure.

Q Now, when you purchased Southern Air through the stock redemption in 1979, did you install a new board of directors?

A No, I didn't.

Q So the board of directors remains the same as when it was under Mr. Williams?

A Yes. I added Mr. Hugh Grundy to the board of directors. He had been working for Southern Air Transport and he retired.

Q Could you spell that, please.

A Grundy, G-R-U-N-D-Y. Hugh, H-U-G-H.

Q Okay. What was his position in the company?

A He was senior vice president.

Q In charge of what?

A Just in general. He had been added after the management group I talked about earlier when Stan Williams took the company over. I think he came with the company in about '76 or something like that.

Q And why did you add him to the board?

A He is an old-time friend. He had been president of Air America for a number of years and he was a very qualified man, and he was available, and I just thought he would be a good addition. I had known him for years.

Q Now, in 1979 when you took over full ownership, who was your CEO?

A I was.

Q And whom did you place in the hierarchy then?

A I left the company pretty much like it was at the time I took it over; namely, the same gentlemen that I have mentioned earlier as being director of maintenance, director of operations, treasurer, and Hugh Grundy was senior vice president, stayed the same. My plan was to change management if I didn't think they were performing, but that took some time and searching.

Q And when did this change take place?

A It didn't really -- I didn't get the program underway until 1983. We almost immediately upon my acquiring control, we entered into a recession and things got very difficult for the next three years, so it was kind of a survival program then, not building management.

Q During that period from '79 to '83 what was the status of the government contracts? Did they fall off as well?

A We didn't have any government contracts.

Q When did you begin to have government contracts?

A We got our first government contract in '83.

Q What was that for?

A We got a piece of the log air business that the Military Lift Command puts out each year.

Q Could you explain that to me?

A Well, for years and years and years ever since I have been associated with the business, the Military Airlift Command, previously known as Military MATS, or Military Air Transport System, have a certain amount of commercial buy they make with all the airlines, maybe three or four hundred million dollars worth, and they allocate that among the qualified bidders based on the number of airplanes they have in the civil reserve air fleet and they have a very compliacted formula for that. It's been going on ever since I can remember. It was part of the work that Southern Air did way back when the agency, the CIA, first bought them. That was the part of that group I was talking about down the China coast. It was called the inter-island route and they qualified in the same way that we do today.

When Southern Air was purchased by Mr. Williams back in 1973, because of all the political furor that had developed and because of the terrible pressure that the CIA was under, the only way that he could accomplish that purchase and go ahead and close on it, because we were having so many problems with the competitors, was to give up all of his CAB authority. The company relinquished it, turned in its certificates and operated then as what we call a large contract carrier, large commercial carrier, and we did business off shore and just wherever we could find long-term contracts.

We couldn't hold ourselves out as a common carrier anymore. So we didn't do any government business. We turned it -- actually the agency had already discontinued all government contracts about a year before they sold it to Stan Williams. They are not flying that route anymore. I think World Airways was, the China coast route that I am talking about.

So all through the '70s we basically weren't qualified to get government contracts because we didn't have enough airplanes. They had certain rules and award criteria among which was to get one of these log air routes you had to have a minimum of two L-130 airplanes. We had two 130s and two 120s, which was a little shorter, that you could put on the route because they didn't have any routes that took less than two airplanes. Then you had to have one backup airplane. So you had to have a minimum of three 130s and we didn't have three 130s. In addition, you had to have so many award points and three airplanes, if we put them into the civil reserve air fleet program, wouldn't get us enough award points.

So basically we suffered under that lack of capital, lack of size to participate. So we did not fly any government contracts from the day it was sold to Mr. Williams until 1983.

Q And how was it that you obtained then the contract in '83?

A Well, after I took control that was one of my main objectives, to see if we could get back into this business. We had two problems. One, we had no authority or we didn't because we had relinquished it, but deregulation had come into being since then, deregulation for cargo. It happened in '78, so in '78 we applied for and obtained a 408, I forget what the part of the act is, that you can have an all cargo route, not route, but just general authority. So that qualified us to again do MAC work.

The next problem then was airplanes. We needed more airplanes.

As soon as I gained control of the company, I traveled to South Africa, because they had 16 airplanes and I attempted to lease some airplanes from them. They were unwillin to do so under the terms that was required; namely, I had to have control of the airplanes so I could put them in CRAF. If you can't put them in CRAF, you can't get the points.

Q In what?

A Civil reserve air fleet.

That requires that they be put in in a way that if the government should declare an emergency that these airplanes will be put into the emergency service and you can't turn them back to the lessor. So they had to agree to that. They were not willing to agree to that until '83, and all of a sudden they changed their position and were willing to lease airplanes at a rate -- also the rate was a problem -- that would let us make a small profit in that business.

So in '83 they did a change of position. We were able to lease two airplanes from them in early '83. We bid on the log air quick trans business. We got one route that used two airplanes. We took that away from Transamerica. Transamerica had had the whole domestic airlift program from the military for all those years, about 15 years. So we were able to get a small segment of that away from them through those commercial activities.

Q Was that on a competitive bid basis?

A The way they do it is, like I say, they award it basically on how many airplanes you have in the CRAF and how many -- that is just the way they did it. We qualified not only for a whole route; we got it for ten months and we had to turn it back to Transamerica and they flew it for two months. They had another log air route they flew with two airplanes and the whole quick trans, which is the Navy operation, took five of their airplanes. So they had a fairly big package, maybe $40 million a year. Ours was worth about 10 million a year, but we only qualified for about nine, so we had to turn the route back to them for two months. It is not done on competitive bidding. It's done on rate making. The military gets all of your costs and go over them and they set a rate based on your cost and let you make a small profit. That was the first year.

The second year they said, well now, there is enough competition, we will put it on competitive bidding. But there really wasn't enough competition because we bid competitively, because we were afraid we were going to lose our route, but Transamerica knew they had all the other Herc's and they didn't have to bid competitively and they boosted their price up to get what they knew would be left over after we got ours, and the military ended up paying more than they would under the price rate making that they had practiced before. So the next year they went back to the rate making. That would be this year.

Q I want to stop at this point and go on into another area, but we will take it back up after that.

For what other companies do you serve on the board of directors, if any?

A None of any significance. I serve for friends of mine on some very closely held companies just to fill out their board from the legal standpoint. They need three members. Permawick is one, Magnum is another, but these are very small companies. It's more just to get a name in.

Q Do you have controlling stock in any other company other than Southern Air?

A No, I do not.

Q Aside from these companies you just named, do you hold any office with any other corporation?

A In these same companies I am a director, I might be a secretary or something, again just to fill out the legal requirement that they have a secretary. I am not active in any event.

Q Do you use now or have you ever used a secured phone in any business dealings you have done?

A No.

Q When you were with Air America, did you use a secured phone?

A No.

Q Now, I am going to name some companies and the question will be the same for all of them, and that is whether you, number one, own any stock, served as an employee or officer or had any business dealings with these companies. Those will be my questions as to all the companies so we can go through this fairly quickly.

CSF Investments?

A No.

Q Hyde Park Square?

A No.

Q Are you aware of any business dealings done between Southern Air and Hyde Park Square?

A No.

Q Lake Resources?

A No.

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Q And you are not a -- my questions will also encompass whether or not you are aware of Southern Air's dealings, if any, with any of these companies?

A No.

Q Do you understand the question?

A Yes, I understand it. And it may be that some of these companies -- because I have read about them in the papers too -- might have been somebody who paid us. I am not -- I haven't gone back over our financial records and I assume Mr. Mason can speak to that. If monies were transferred from any of those companies to Southern Air, I am not personally aware of it, but it could possibly be.

Q That is my question. I am not concerned with what you have read in the papers. If we can ask for your knowledge as of maybe October of 1986, that might be clear.

A I have not gone over our financial records though.

Q Corporate Air Services?

A No as to my personal recollection. I have read in the paper since that we apparently advanced some money to buy an airplane or something like that.

Q But as of October '86 you did not know of Corporate Air Services?

A No.

Q Energy Resources Incorporated?

A No.

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Q Stanford Technologies?

A No.

Q Any Stanford corporations?

A No.

Q What about Udall Incorporated?

A October? No. See, I have been told about these companies subsequently. I am not sure if it was before or after October. Basically -- is October after all this news or before?

MR. BECKMAN: It blew up in November. The airplane went down on about October 7 or something like that. Then things started to come out. It was about November.

THE WITNESS: I would still say no.

BY MS. NAUGHTON:

Q Who informed you about Udall?

A Mr. Langton.

Q And what about EAST, Incorporated?

A EAST I knew of long before that.

Q And what about Air Mach?

A No.

Q You had no knowledge of Air Mach prior to October 1986?

A No.

Q Why don't you tell me what you knew about EAST.

A EAST was a company that we had done business with for a number of months, and maybe years. Not years; maybe a year or so. But they were a company that we had a contract with that used our aircraft, I guess on an as needed basis or whenever they wanted, just like any of our charter customers except they wanted to provide their own crews for it, and so we set up a special arrangement where they could furnish their own crews but would have to live within the FAR 121 under which we operated, the Federal Air Regulations, and basically the crew had to be our crew in a sense. Maybe we would not pay them, but they had to qualify on our airplane; they had to pass all the checks and be kept current. We had to interview them. We had to be certain that they possessed the necessary qualifications, but it wasn't necessary that they be directly on our payroll. So we went into that arrangement with them. We also -- if they took our airplane and they were leasing an airplane and putting this crew aboard, of course they had to live with our flight following and this sort of thing. There was a contract to that effect.

Q When did you first become aware of EAST?

A Good grief, I really don't know. Probably -- it kind of metamorphized into EAST. I think they had a different name before that and I can't really remember what it was. Then they changed it to EAST.

Q But it was the same people?

A Summit maybe?

Q Was it Summa Air?

A The same people.

Q Was it Sumairco?

A Yes, Sumairco.

Q Who were the people you knew of there whom you dealt with?

A Mr. Gadd, I guess, primarily.

Q Anyone else?

A I don't think so. I think it was primarily Gadd after that. I think Foley was involved earlier who was with Summit Aviation in Delaware. That is the way the thing first came into being probably in 1982 or thereabouts, that Summit Air asked for a bid or a quote on our providing them an airplane and a crew for some minimal flying like 50 hours a month, and so I prepared the quote which, of course, was very expensive on a per hour basis and suggested, you know, maybe they really didn't need an airplane full time totally committed. If they could just buy it by the hour, we could really cut the price rather substantially for them, and they then came to Miami. I did this by phone and sent them a proposal, to Summit Aviation, and I think Mr. Gadd came along with them.

Q With Mr. Foley?

A I think so. I don't have notes on this, and so

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this is just a very vague recollection. But that was my introduction to them. It seemed like there was somebody from the Pentagon that came with Mr. Gadd, but I don't remember his name either.

Q Excuse me. What is Mr. Foley's first name?

A I don't remember.

Q Would that be in your files?

A Possibly or maybe -- maybe in the aviation directory.

MR. BECKMAN: I think we have provided the Sumairco file.

BY MS. NAUGHTON:

Q It would be in the Sumairco file?

A If it's in there at all. I could even have the name wrong.

MR. VAN CLEVE: I am not aware that any Sumairco materials have been produced to us unless it's been in the last couple days.

MR. BECKMAN: No, no, this was right in the beginning.

MR. VAN CLEVE: I have been through your documents submitted to us, and I am not aware of any documents on Sumairco. In fact, I have the index if you would like to look at it.

MR. BECKMAN: I would be glad to look at it. We

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submitted it to the Intelligence Committee. In fact, we were informed that all the materials provided to the Intelligence Committee came to you.

MR. VAN CLEVE: Then I will stand by what I said. You didn't produce anything pursuant to the subpoena to this Congress from Sumairco as far as I know.

MR. BECKMAN: With respect, I am sure you don't mean to be antagonistic.

MR. VAN CLEVE: Not at all.

MR. BECKMAN: But it was my understanding in discussions with Mr. Tiefer that the materials provided to the Intelligence Committee in December were passed to this committee.

MR. VAN CLEVE: I think they will be in due course, but what I am saying --

MR. BECKMAN: You mean they haven't been?

MR. VAN CLEVE: I don't think there has been a formal transfer and the index to your document submission does not reflect any Sumairco documents. I just want to tell you that. So what I am telling you is there may have been documents produced in the 99th Congress pursuant to a separate subpoena, but I don't believe they were produced pursuant to this subpoena.

MR. BECKMAN: This is the point I really do want you to try to follow me on, Mr. Van Cleve.

MR. VAN CLEVE: I understand entirely what you are saying, Mr. Beckman.

MR. BECKMAN: We were told that the subpoena we got from this Congress was met by the documents that we had produced to the Intelligence Committee.

MR. VAN CLEVE: I am sorry. Mr. Tiefer isn't here to either confirm or disagree with what you are saying. Do you have any written representation of that fact?

MR. BECKMAN: As I sit here, I don't have my file with me.

MR. VAN CLEVE: I don't see a lot of point to pursuing this. All I am trying to explain to you is you indicated you had previously produced to the Select Committee these documents. I take it what you meant is they were produced to the House Intelligence Committee under a different subpoena in the last Congress. Is that correct?

MR. BECKMAN: That is correct.

MR. VAN CLEVE: Thank you.

MR. BECKMAN: I am sensitive on this because we have cooperated totally with this committee.

MR. VAN CLEVE: I follow what you are saying, but I simply wanted to be clear that when we examined the document production pursuant to the subpoena in the Select Committee, those documents are not reflected on the index and I don't believe they were produced under that subpoena. I am not suggesting that you are not cooperating.

MR. BECKMAN: I will re-produce them.

MR. VAN CLEVE: I am not suggesting any lack of cooperation. I am just saying it is news to me that you had done it. That is all.

MR. BECKMAN: All right, Mr. van Cleve.

BY MS. NAUGHTON:

Q Getting back to the meeting in 1982 with Summit Aviation --

A I think it was '82.

Q All right. -- with Mr. Gadd and someone you recall named Foley and perhaps someone from the Department of Defense.

A Or Army or something. I am not sure.

Q Whose name you can't recall?

A Right.

Q Was this a civilian or military person?

A I thought it was supposed to be a military person. They were not in uniform, but that is the impression that I got.

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Q Did this person have a short haircut?

A No, I think they told me he was. This is my reaction.

A Did you make any notes of this 1982 meeting?

Q I don't know. If I did, they are in that Sumairco file. That is the only file that I was able to find.

Q If you had dictated or written any memorandum of that meeting would it be in the Sumairco file?

A It would, unless I threw it out later because I would every couple of years go through my files and weed out stuff that was unnecessary.

Q But if you had written one it would have been filed in the Sumairco file?

A I suspect. I don't have a general correspondence file.

Q Was this the first time -- what did you understand Mr. Gadd's relationship with Summit Aviation to be?

A I don't know. I guess it was just a group of people trying to get together to lease an airplane, in a sense, and they were trying to help each other.

Q When did you first meet Mr. Gadd?

A Just now.

Q Was that the first time you had spoken to him?

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A Yes.

Q Did he call you up to initiate this transaction?

A No, Foley brought them down, Summit Aviation brought them down. I got the feeling that this was Summits customer, they were trying to put together an operation.

Q And how were you introduced to Gadd?

A I don't remember. He just was there and I said, hello, Mr. Gadd.

Q Did you use Mr. or Colonel?

A No, I don't remember. I don't remember Colonel being involved.

Q Did you know him as Mr. or by his first name?

A Mr. Gadd.

Q When you were introduced to him, were you told what his role was,or he was the customer, or what were you told?

A I really don't remember. It wasn't that important to me. I was trying to lease an airplane and these were bad times.

Q Who else was present at this meeting besides Mr. Foley?

A It seems like there three people and that was it.

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Q From your company anybody?

A Oh, I don't know. Probably if anybody was there, Hugh Grundy would have been the only one I would have brought.

Q What did they want the aircraft for?

A I don't know. They had some missions they wanted to perform with it. Primarily what they were going to do was they were going to practice with it, they said they would not take it out of the U.S. I didn't inquire much beyond that.

Q What did they tell you they wre practicing for?

A They didn't.

Q Did they say where they were going?

A Just that they were going to stay in the U.S. and they were supposed to follow our flight like we did and run the airplanes like we do, so I assume Ops. would know where it went.

Q Your operation person at that time was whom?

A Director of Operations was William Dunn. He has passed on but we had a whole operations department that followed airplanes.

Q And they were going to use their own crews?

A They were going to use this crew that we would interview and see that they met our qualifications, and they would be on our roster, go through out training, our company training and orientation,and be checked out by our check pilots, and follow the normal routine, so they weren't unknown to us; they just weren't on our payroll.

Q They were paid by whom?

A I suppose by East, Inc.

Q We were talking about Summit and now we have East, Inc. involved.

A Somehow they changed their name to East, Inc., because Summit did not come into the deal. When Mr. Langton joined the company in the spring of 1983, I just turned the whole thing over to him, I had very little to do with it after that.

Q As of May 1983, was it East or Summit?

A I am not sure. It was never Summit, it was Sumairco, and I don't know when it changed from Sumairco to Summit, nor why.

Q You mean from Sumairco to East?

A Yes.

Q Did you negotiate this contract?

A I negotiated the original contract with Sumairco, right. I wrote it, as a matter of fact. It was a letter contract,and I don't know if they are still following it. After I turned it over to Langton I don't know if the nature of the operation changed or not. It wasn't a major activity of the company, in my judgment, and I didn't

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follow it very closely.

Q What were the terms of the contract in terms of dates, was it a one-year contract, a six-month---

A It might have been a 30-day cancellation. The draft might be in the files turned over to you.

MR. BECKMAN: I have a recollection,I think the document was turned over to you.

THE WITNESS: I am not even sure that the signed document existed but the draft is in my files. They might have changed that totally. I know the rates changed, probably, and I didn't follow it beyond that.

BY MS. NAUGHTON:

Q Is it fair to characterize it as a month-to-month contract?

A I would read the contract, if I were you.

Q I am just asking for your recollection?

A I don't recall.

Q Okay.

Did you enter into any other contracts with either Sumairco or East after this 1982, or thereabouts, early 1983, contract?

A I think that they changed the nature of the contract from time to time, maybe just the rates. I don't -- I was not party to that. That was left to my subordinates. Basically I don't even think they changed the rates. I

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think they stayed pretty much the same.

Q Do you know whether or not the activity was expanded?

A I don't think it ever did get to be a major activity, no.

Q When you say that, is there a dollar figure we can assign to it?

A Sure. I don't have it---

Q Can you give me an idea, $10,000, $100,000.

A I don't know. I would rather not speculate.

MS. NAUGHTON: Off the record.

(Whereupon, at 11:40 a.m., the committee recessed, to reconvene at 12:30 p.m., the same day.)

AFTERNOON SESSION

MS. NAUGHTON: Let the record reflect we are back on the record after an hour long lunch break.

BY MS. NAUGHTON:

Q Now, when we left we were discussing a meeting that you had with Mr. Gadd, meeting him for the first time,and an official with Sumairco, regarding a fairly small contract of contracting in aircraft for what they said were practice runs. Do you recall that testimony?

A Yes. I think it was some officers of Summit Aviation. Sumairco hadn't really been formed yet,probably. Ultimately,I did contract with Sumairco though.

Q Okay, [illegible] you said you didn't know exactly what -- was it just one plane?

A Yes, but not any specific aircraft. They would take whatever one was available at the time. When they wanted to use it, they would call and say, we would like to block out next weekend,and we would look at our schedule and see if we had availability then.

Q Did they have a specific size requirement?

A No, most of the time they took a Dash-20, the smaller of the two airplanes.

Q They never told you what these were for or what they were doing with the plane?

A No. I never asked the, except they were going to conduct it in conjunction with-our requirements for an airplane, not carrying contraband, they had to fly to where we had insurance.

Q Was this unusual for you not to know what they were using the plane for?

A It wasn't something I did every day. I guess we didn't have another customer that furnished their own pilots, but we knew where the airplanes were going. I didn't ask every day, where is this airplane going or flight following. They said, practice missions and training in the U.S.

Q But you didn't ask them what would be inside the plane?

A I don't remember asking that specifically, no.

Q Is that unusual for you not to know what your customers are transporting?

A In general, we have bill of lading, and I assume that when this one flew whatever went on, it would follow the same conditions that a bill of lading -- not a bill of lading -- what did they call it -- whatever we made up, a manifest for an airplane cargo.

Q Would those documents be in the Sumairco file or in another file?

A They should be in the Southern Air's files, I think.

MR. BECKMAN: When you say those documents, what are you referring to?

THE WITNESS: The manifest.

MR. BECKMAN: If we had them they would have long ago been destroyed.

THE WITNESS: They are not there now, probably.

MR. BECKMAN: I think we have a 90-day destruction policy or something like that.

MS. NAUGHTON: If you could double check on that for me, please, and then when Bob comes down, if they are available we would like to see them?

MR. BECKMAN: I would be happy to. When we were interviewed by the FBI I would have to tell them we didn't have that. We would sink through the stress factor of the floors.

THE WITNESS: I asked the question of Langton, and was assured that was what they were doing, was flying within the Continental U.S. on practice missions.

BY MS. NAUGHTON:

Q What did Mr. Langton tell you they were doing on the practice missions?

A I don't think he knew. They were just flying the airplane and practicing.

Q The crew that they provided for you -- to be trained by you and certified by you, were these people with a lot of flight experience or were they training green people?

A I think they met our criteria, whatever that was. Generally they used to require 1500 hours, but they were very qualified people, I am sure. We have their names, I am sure. They must have been supplied to somebody, if that was the question.

They were experienced, et cetera, training records.

A When you met with these folks for the first time, did you meet in your office?

A Yes, I did.

Q How many days did they spend there the first time?

A Just the one day.

Q Did you go out in the evening with them?

A No, I don't think so.

Q When is the next time you had any conversations with Mr. Gadd?

A I really don't remember. It was a long time after that, it seemed like. I am not sure if I ever had another one after having first turned the whole thing over to Langton. I just don't remember seeing him again.

Q Did you enter into any other contracts with Summit or their successor company?

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A No. And Sumairco is not, I don't believe, a successor of Summit. I think Summit Aviation still is in Wilmington or someplace.

Q Then you have got me confused. You contracted with Summit---

A Sumairco.

Q You contracted with Sumairco and Summit just put together the deal?

A That is my feeling, yes.

Q And then Sum-irco became East?

A Right, I think that is correct.

Q What is Mr. Gadd's relationship to East?

A I don't know. I think he might be president, but I don't know.

Q First of all, did you have any other contracts then with Summit?

A No.

Q Did you have any other contracts with Sumairco?

A No.

Q So now we can concentrate on East?

A Yes.

Q When is the next time you heard either from Mr. Gadd or anybody with East?

A Me personally talking to them?

Q No, any time your company had dealings with them?

A I think they had dealings with East mostly over the next two years or three probably.

Q I think it was all emanating from the same earlier discussions. They may have eventually changed it and not been following that original document that I drafted by the time Langton was working with them two years later. I don't I am sure that they were -- their guidelines were the same.

Q If I could go back to the original meeting you had with Summit, the individual that you thought was a military person from the Army or whatever---

A Yes.

Q What did he say in this conversation?

A I don't remember he said much of anything,frankly.

Q Was it your impression that you could obtain more government contracts if you took on this contract for Sumairco?

A No.

Q Was there any relationship, in your mind, between government contracts that you were seeking and any work done for East?

A No, we weren't seeking any at that time, other than the fact that I would always be interested in Log Air, Quiktrans.

Q And that is what you described with Trans America? That is the contract you described that Trans America was involved with?

A Yes, plus other carriers that participated in this.

Q That is the contract you just described?

A Yes, I was interested in trying to get involved in that or any MAC business but this had no entry in my mind. That business is let on a very strict award criteria that all carriers know, and we follow it by the book.

Q Was there a connection in your mind between East and anybody in the Defense Department.

A I thought East had a contract with the Defense Department -- the government, not necessarily the Defense Department. They had the contract and they were going to hire us, our airplane, to carry out their contract, yes.

Q When did you form this opinion?

A When they first came to me.

Q When Gadd and Foley and---

A They might have said, we have a government contract and we need this type of airplane.

Q When was the next time that you were aware that your company did any transactions with East?

You say---

A It was an ongoing thing. I was aware that it was going on. I just wasn't involved in the detail.

Q You also said you don't recall speaking with

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Mr. Gadd until after Mr. Langton came onboard?

A Yes, I really don't.

Q Mr. Langton came onboard when?

A In May of 1983.

Q And when do you next -- strike that.

Do you remember briefing Mr. Langton on this East contract?

A Not specifically, but I am sure I did.

Q And how soon after Mr. Langton came onboard do you recall having any further contact with Mr. Gadd?

A Personally?

Q Yes.

Q I don't remember, but it was quite a while. I just don't know. Probably a year or more.

Q When you said,personally, let's distinguish that from, I guess,the company.

A Yes, I think they were talking to him on a frequent basis, and Mr. Langton---

Q Took that part over?

A Yes. And they became more active, I think, after Mr. Langton came aboard than they ever had been -- we had this contract in place and I don't remember them doing a whole lot of flying out there, frankly.

Q What would you say the relationship between Mr. Langton and Mr. Gadd was? Were they social friends, or

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what?

A Business relationship, I believe.

Q When you next personally heard from Mr. Gadd, what was the context of that contact?

A I don't remember. I could have said hello to him, he may have dropped into the office. He did come to my home one time to talk about an operation, and I very frankly. forget what that was.

I just remember the incident. I was ill, so I didn't go into the office, so he came to the house.

Q Was that before October of 1985, or was that the October of 1985 visit?

A It could have been October of 1985.

Q Is this when he broached the subject to you of supplying the Contras?

A Probably, yes, that he was -- they were going to start an operation to help supply the Contras, and he wanted to know if we wanted to become involved in it.

Q So I have it clear in my mind, aside from maybe a casual passing in the hallway between you and Mr. Gadd, the next substantive meeting you had with him was this October 1985 meeting in your home?

A Yes. I am not sure it was in my home. I had a meeting in my home, I am not sure that was what the subject was.

Q Well, did you ever discuss the Contras with Mr. Gadd outside of your home?

A I don't think so. I may have had a conversation with him in the office, but I don't remember it.

Q Do you recall discussing the Contras while you were in your home?

A Yes. I remember discussing the Contras, whether it was in my home or in my office, I am not sure. I did have one meeting with him in my home.

Q Do you remember anything else you discussed with him in your home?

A I only remember two conversations with him, one having to do with the Contras,and one having to do with Iran,and one was by telephone, and one was a personal meeting in my home. Those are the two that stand out in my mind.

Q Do you remember which came first?

A The Contras.

Q How did this meeting in your home come about?

A It was initiated by Mr. Gadd.

Q How did he initiate it?

A I guess he called Mr. Langton.

Q And why did they go to your home?

A Because I was not in the office. I had a cold or something.

Q Did you tell them to come to your home?

A Yes, I said if they wanted to see me this particular day, they had to come to my home. Maybe I just had my arm operated on. I was ill and was in my home; no secret reason [redacted] to be in my home.

Q I ~~was~~ wasn't suggesting that.

So Mr. Langton brought them to your home?

A They came together.

Q Mr. Gadd had not been to your home previously?

A I don't think so.

Q Who else was present at this meeting?

A That is all, just the three of us.

Q Anyone from your family?

A No. My wife was in the house but she wasn't in the meeting.

Q Where in your home did you meet?

A In the living room.

Q Were any notes taken by any of the three of you?

A Not that I recall, but somebody could have been taking notes. I just wasn't conscious of it.

Q Do you recall dictating or writing any memorandum after the meeting?

A No.

Q Do you recall reading any memorandum from either Mr. Langton or Mr. Gadd after the meeting?

A No.

Q Did you ever see anything in writing about the meeting other than what your attorneys have prepared for us?

A No.

Q Do you remember what time of day it was?

A Midday, I would say.

Q So why don't you just tell us in a narrative fashion and then I will ask the questions later -- once they came into your home you sat down in the living room, what was discussed to the best of your recollection?

A I think Mr. Gadd had some funds to commence a supply operation for the Contras, private funds -- not government funds as I recall, and he was going to set up an airline to do that, and he wanted Southern Air to be involved in that maybe as a joint venture or a joint venture or -- these were very loose concepts that were discussed. I don't think the meeting took more than an hour and a half or something like that. We felt, I guess, at the time, that we just couldn't be involved without being in total control of it.

It wasn't a concept that we thought was necessarily wrong or right, or anything, but unless we could control it we wouldn't be too interested in it. Mr. Gadd seemed to want to -- he had the funds and he had all of the go-ahead on it, or that is the impression he gave, and so we -- I guess we left it rather loose as to what we were ultimately

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going to do, and said, well, it is an interesting idea, Southern Air might be willing to give some assistance and maybe even become a joint venture, or if it is structured right -- I asked such questions as whose flag does it fly under,or where would you get the registration for your airplanes, and this sort of thing, which he didn't seem to know.

He didn't have a good feel for the business.

Q What was his response to those specific questions?

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A No problem. It would all be taken care of. Don't worry about it -- that we had the right contacts, and, you know, we could either get Honduras registration or Panama registration or El Salvador or whatever countries we were talking about at the time.

It was just, you know, no problem. I asked him how much budget he had, and, well, he had $500,000 or something like that, and my reaction to that was, well, that is really totally inadequate to really start up an airline. There is a lot more to do than they recognized.

You just don't go buy an airplane and start up an airline. You really have to have an infrastructure, you got to get the base, you got to get the money, and you got to get parts. You got to get a company and you got to get your airplanes registered and become part of the community, having had some experience in that in the Indochina days.

So my general feeling was that this was not something we wanted to be involved in.

Q Was it his plan to purchase an aircraft specifically for this?

A Yes.

Q Rather than use Southern Air's?

A Yes, this was going to be an internal supply system. Southern Air's airplanes were way too big for this activity. You needed something that could land on much smaller strips.

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It was going to be a supply system within Central America.

Q And --

A Operating out of [redacted] or some place, I guess, into wherever the contras were.

Q Now, when Mr. Gadd first broached this subject, did he say whom he represented?

A He said it was private funds, but I got that distinct impression that it wasn't government money; in some way it was private money.

Q Did he say he represented a group of private investors or individuals.

A No, he really never got into specifics where he got his money nor did I ask, and I really didn't know.

Q He just said, we, or --

A Yes, more or less.

Q Is that the phrase he used?

A Yes.

Q Did he mention any organization?

A No, not to me. I don't remember anything about where the money was going to come from.

Q Did he give you a business card?

A Not me, no. I don't have any.

Q Did he give one to Mr. Langton that you are aware of or anyone in your company?

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A I am not aware of that.

Q Did he ever show you any credentials?

A No.

Q Now, when he said -- you mentioned that he told you that he had the go-ahead.

A Yes.

Q What did you mean by that?

A My feeling was that the administration was giving him the okay on this, that they were working in some way with the administration.

Q How did you get that impression?

A From Mr. Gadd, and I am not -- I don't have any specific feelings, because I always felt that his contract, for example, the contract EAST, Inc., was with the government in some way, that he didn't just have money of his own that he was, but it was a government contract.

Q How did you get that feeling?

A I think he probably told me so, and I think it probably was. I think what happened was they did have a government contract and that was a different project entirely. He represented a company VINAL or something like that that was very big in government contracts, and his EAST, Inc. was just a spin-off of that.

VINAL -- was that it? I forget the name of the company. I might have that card. He might have given me

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that card. I probably threw it away, though.

Q If you come across it, I would appreciate having it.

A They are a big company.

Now that you mention it, I did visit him, now that I mentioned it, one time in McLean at this big office. That was -- I have no idea when that was.

Q Was it after this contra discussion?

A No, it was before, early in my dealings with him. So I had been up there at one time to his office in McLean, I think -- no, Vienna.

Q McLean or Vienna?

A It might have been Vienna. He had a couple of offices up there. The first one he had only one office and he was very closely connected to what I thought was this holding company. I was never quite clear on it.

Q Do you remember what the holding company was?

A VINAL or something like that.

Q When you went to visit him at this office, was it a large office or just --

A It was a large office. He had a small office within this complex. They might have had a whole floor in one of those buildings out there. But they -- he explained to me they had a number of government contracts and this was one of them, that EAST, Inc. ultimately because EAST, Inc., was operating.

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I do think that contract -- I have no basis for it -- was divorced and not part of an ongoing -- the contra deal that he was getting himself involved in was not an ongoing part of this other contract that they used our Herc for.

Q Do you recall how you got that address of where to go in Vienna?

A I am sure he told me on the telephone.

Q Do you remember writing down any directions or anything how to get there?

A I am sure I did, but I wouldn't have kept them. This is, you know, a few years ago.

Q Did you use a rental car or public transportation?

A I probably used a rental car. I don't know. No, I didn't use a taxi.

Q Did he introduce you to anyone else at that company?

A Probably did, but I don't remember who they were. This is a public company, I think.

Q Okay.

A Remind me. I will look through my card index.

MR. BECKMAN: Do you remember how to spell it?

THE WITNESS: Starts with a "V", V-I-L-L or something like that.

MR. BECKMAN: Vill?

THE WITNESS: No, it is longer than that. Vinal, maybe it is V-I-N-A -- I don't know.

MR. BECKMAN: Okay.

BY MR. NAUGHTON:

Q At that meeting in his office did you -- what did you discuss?

A I don't know. It wasn't obviously any real contractual activity. I might have just been in town and went over to visit him. It is nothing of any consequence, obviously.

Q Did you ever see him in uniform?

A No. I think he was retired.

Q Did he tell you that or --

A No, I ultimately found that out. I really didn't know he was military, frankly, until all this came out -- or retired military.

Q Now, let's go back to the meeting in your home. We got kind of sidetracked there.

When you said you felt he had the go-ahead from the administration, to the best of your recollection, what precisely did he tell you about that?

A I think I heard that more from Langton than from him. These are things that -- you are trying to pin it down to one meeting when all this happened and probably it is conversations over a period of time with Langton. This is the only meeting I had with him.

Q Okay. Let me stop you there. Before this meeting, did Langton tell you about Gadd wanting to supply the contras?

A He might have. Might have.

Q And would Langton then have told you at that point that he had administration backing?

A I don't think he -- I think I was never told he has administration backing.

You know, don't take my testimony to mean that, because I don't think that is the case. My general feeling was that they had administration backing from the standpoint of this was a project that the administration was approving of, but I never got the feeling that the money was coming in. It was private money, but they were working some way with the White House.

Q All right. That is what I am getting at.

When he said he was working with the White House or had their go-ahead or approval -- can you explain to me -- first of all, let's go to Gadd, what Gadd told you to give you that impression.

A That this has White House approval. This is something the White House wants done. I don't know if he said it in those words, but clearly that came across.

Q Did he mention anyone specifically at the White

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House?

A Not to me.

Q Did he mention the Vice President?

A No.

Q Did he mention anything about the Boland amendment or humanitarian aid as opposed to military aid?

A Not to me. We were doing some humanitarian aid. We were flying some of that for them.

Q For whom?

A I don't know if it was at this time or -- well, Gadd was getting the business for us. So, he was the agent as far as we were concerned, and we booked it through his company, one of his companies, I guess.

Q You don't recall the name of that company?

A No.

Q What made you think this was then different than the flights you were already running?

A Well, the flights we were running was the know-how flights, whatever they call that, and this was going to be supplying internally in Nicaragua, Central America, the movement of goods, maybe some of this [redacted] NHAO goods that had to be moved in our type airplanes, including other airlines participated in the humanitarian air relief.

We didn't fly that alone. Air Mach flew some and other carriers, but to move that type of goods to the contras required further airlift within country, within Central America. And this was his desire, to set up this airline. I think he saw it as, you know, as a business proposition.

Q But when he explained this to you, was it in the context of the [redacted] NHAO contract or was it a separate venture?

A I got the feeling that it was not part of that contract, but it was something that he was going to do with whomever he worked with, because there was a need that existed for distribution in Central America after the stuff arrived either by boat or large airplane. You had to distribute it to or within country, and this was a business opportunity, in a sense.

Q All right.

A And that I assume he was going to make money at it.

Q Well, did you get the impression he was doing it for the money or for some political or patriotic reason or both?

A I think a little of both. I think he visualized -- I know you are asking me to enter his mind now -- but visualized a business that made some money, and in addition was carrying out a function.

Q Did you discuss with Mr. Gadd at this time or any time the political situation in Central America?

A I don't recall doing that, no.

Q You don't recall having a political discussion with him regarding the contra movement, who is right or who is wrong?

A No.

Q Or what was happening?

A No.

Q What kinds of materials did he discuss transporting?

A I don't recall discussing that at all.

Q Did you ask him if he planned on transporting contraband?

A No.

Q So you never separated from his mind or your mind whether they were going to transport explosives or weapons as opposed to soft goods?

A No, I never asked that. I never considered weapons transported by an airline that he formed down in Central America being contraband. It is just more cargo. If you are asking me, I never even gave it a thought. I would assume they would carry weapons.

Q All right.

A Why not?

Q In your mind, even today, transporting the weapons

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down there, you see nothing wrong with that?

A I don't see that as a violation. Is that a violation of the law? I don't know. I don't see that as being a violation of the law, no.

Q Okay. Would the same be true of missiles or missile parts, in your mind?

A Probably.

Q Now, he said that he was working for some private or had private funds, is that correct?

A Yes.

Q And he said -- did he say he only had half a million dollars or that is all he had to spend on this project?

A That is all he had at that time, about a half million dollars. Some way or another, in my mind, and I don't know where it came from, that maybe up to a million and a half might be available, all of which I considered inadequate.

Q Did he say when this fundraising effort began? Did he say, "We have been collecting this for years" or "for months" or "for days"?

A Didn't say that at all. He just said this is the money he had.

Q Did he say where he had it?

A No.

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Q Did you ask him how you would be paid?

A I don't remember that, asking that, no. I did not ask that. I didn't -- firstly, I wasn't going in the business, I guess, and so I wasn't too interested in how it was going to be paid being I wanted no part of it. We wanted to get paid for whatever services we performed and we were generally paid cash in advance -- not cash in advance, but with him he had always been a good customer over the years. We would give credit. But we got cash on our invoicing.

Q What was Mr. Langton's contribution to this meeting? Did he try to cement a business deal or did he argue against it?

A No, I don't think so. I think he and I were in tune with what Southern Air needed to go forward with any business arrangement and understand what conditions we would do it.

Q Did Mr. Gadd envision your company purchasing the aircraft for him or was he going to do this separately himself?

A He was going to furnish the money, as I got the impression, and we never got far enough that I say, you know, the next question would be, "Well, if you advance a half million to buy airplanes and you are going to make us a 50 percent partner, how do we pay you back?"

Because obviously whoever put up the half million dollars deserves to get his money back first or deserves to own the assets that that money bought.

So those were problems in my mind because it was a loose conversation, but it never got far enough that I had to start resolving all of those.

Q What crew was he planning on using?

A That was another discussion, you know, where would you get crew members for that. He said, "Well, I know where I can get some" or "I already have hired some", which was another alerting to signal to me that we were not in control of it. He has already hired crews. I don't know who they are and what their qualifications are and etc.

So, he had already hired crews, and they were looking for airplanes, that type of thing. I am not sure this all took place in this meeting. These might have been conversations that Langton gave me either a little bit before or a little bit after.

Q And when you asked what flag it would be flying under, he said he wasn't sure?

A Yes, I think they had not made up their mind yet. They talked about Panama. I said, well, if you put a Panama flag on it will [redacted] let you fly a Panama flag carrier in their country, because this is a big problem with airlines and we in the business understand that you cannot take a U.S. N-registered airplane down to Panama and fly it around Panama.

Q Internally?

A Internally, or even offshore sometimes. They don't want you -- for example, if you get a Panamanian airplane you probably cannot fly it in [redacted] without [redacted] giving special permission. Also you got to return it every, I think they want you to return it every six months back home, otherwise they won't let you register the airplane; or return every month. It has to be on a scheduled operation out of their country.

So these get to be very nationalistic. So setting up an airline to operate in another country becomes a very difficult operation without total cooperation of that administration.

Q Did he ever make any allusions to perhaps paying anybody off in these countries?

A No, but I think there were allusions that that

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had all been taken care of. They could get whatever operating rights they wanted to and fly pretty much where they wanted to. That would have been why I thought that there had to be government assistance. You cannot go down there all by yourself as an entrepreneur without your government helping you or that government bring friendly to you, getting you an airport to land in. That was another discussion.

What site are you going to fly out of? How are you going to get it? Who is going to let you have it?

Q What did he say to that?

A "It has all been taken care of."

Q Did he tell you where they were going to fly out of?

A Yes, I think so.

Q What did he tell you?

A I don't know, I don't remember. [redacted]

[redacted]

MR. BECKMAN: [redacted]

THE WITNESS: [redacted] I think was mentioned. [redacted] These names don't stick in my mind, but it was [redacted]

BY MS. NAUGHTON:

Q Did he mention the farm?

A No.

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Q Or the plantation?

A [redacted] I guess it is people like you to know denote someplace down in some other country, I guess.

Q [redacted]

A [redacted] So maybe this same type of connotation exists with someplace down in Central America.

[redacted]

Q But he mentioned some areas that you have since heard about in the papers?

A Yes, I think so. He might have mentioned others. I just wasn't focused on them at the time. He mentioned two or three places that they planned to set uo operations and the question was well, how do you get the right to do that? Well, that has all been taken care of, or it will be taken care of.

Q From your experience you have described to us the

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problems in setting up this kind of operation from the standpoint of the foreign government and their regulations.

In terms of our government, is there anything special that you would have to get or any sort of plans you would have to file or any kind of special permission you would have to get from our government to run such an internal route?

Is your answer "no"?

A I am sorry. No. I know of nothing. You are totally outside the U.S. jurisdiction so there is -- you are subject to local law.

Q If your flight however, originates in the United States and then say makes two internal stops in [redacted] is there then any sort of permission or plan or anything that has to be filed with the United States authorities?

A I don't know of anything other than, of course, if you are exporting something you would have your Customs problems. We, Southern Air, if you are not an air carrier and you are engaged in what we call common carriage, then you would need to get a certificate of public convenience and necessity to leave the States and fly to that particular place, but if you are doing just charter work, ad hoc charter work on an infrequent basis, and you are a large commercial operator, then I don't know of

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anything you would even need to do that, other than you of course have to comply with any Customs.

MR. BECKMAN: You were also asked about the plan which I assume meant about the flight plan.

THE WITNESS: With FAA you do file flight plans.

MS. NAUGHTON: All right.

BY MS. NAUGHTON:

Q If you are flying an internal flight in Central America and you are a U.S.-registered plane, do you have to file a flight plan?

A No, not to my knowledge.

Q So to your knowledge there is no U.S. regulations or requirements that you have to file if you are just simply doing an internal flight?

A Right. If you are flying a U.S. N-registered airplane of course you are under the safety rules still of the U.S. FAA, and you have to comply with those, but they don't require any reporting. It is just that your pilots can fly only so many hours and your airplane has to be maintained under certain levels of safety, et cetera, et cetera. All N-registered airplanes have to do that.

MR. BECKMAN: When you get to reporting you also have the Department of Transportation reporting foreign civil charters.

THE WITNESS: That is only for a certificated

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air carrier though. The large commercial operators don't have to do that.

MR. BECKMAN: I just don't know how precise or broad Pam's question is.

MS. NAUGHTON: I don't know either, I am just factfinding.

THE WITNESS: We file with the Department of Transportation some Form 41s on all our charter flights.

BY MS. NAUGHTON:

Q That is even your ad hoc charters?

A Yes.

Q Is this true of your contract flights?

A Yes, we file something on that that might be a little more general in terms of it keeps repeating itself type thing.

Q Now is that DOT or FAA specifically?

A DOT. This is an outgrowth of the CAB.

Q What is the form number?

A Used to be Form 41 because it was under Part 141 of the --

MR. BECKMAN: I think it is 217 now. They keep changing it. I could be wrong as well.

BY MS. NAUGHTON:

Q Now, you had this meeting that lasted in your home about an hour-and-a-half, you said. What was the sense you had at its conclusion, and did you convey the message to Mr. Gadd that you were not interested?

A I am not sure it happened on that day. I think it was left real fuzzy then. He said well, he didn't need an answer. It might have gone on for a couple more months in a fuzzy way because he was not yet putting it together. But then all of a sudden I might have asked Langton a month later or something, well, you know, what has ever happened to that?

And he said, well , you know, Gadd is just going on his own. He has hired crews already and we are doing the maintenance for these people, or actually we were not really even doing maintenance. We were providing maintenance personnel. They were supervising their own maintenance.

We provided maintenance people when they needed them and asked for them.

Q Who provided the materials?

A We went out and bought the materials for them, used our purchasing department to do that.

Q And then billed their account?

A Yes.

Q How were you made aware of this?

A Myself, I was made aware really after the fact by Langton and Bob Mason.

Q But prior to October of 1986?

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A How I personally was made aware of the fact that we were performing these services?

Q Yes.

A By Langton, Mr. Langton.

Q Okay.

A I would ask him from time to time "What is going on" and you know, what was our involvement with this operation down there?

Q Okay.

A Because I would see the airplanes sitting on our ramp by this time.

Q Let's take it from the next step then. After that meeting at your home, do you recall when the next time it is that you spoke with Mr. Gadd?

A I am sure I spoke with him from time to time when he was down there, more or less just "How do you do", in the hallways though. But the next time I remember I guess was when he telephoned late one night, or I was told he was going to call.

Q By whom?

A By Mr. Langton.

Q What was he going to call about?

A I think that had to do with the Iran movement.

Q All right.

So you really didn't speak to Mr. Gadd substantively?

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A No.

Q Until the Iranian discussion?

A Yes.

Q And do you recall when that was?

A No.

Q Now, were you aware of Amalgamated Commercial Enterprises?

MR. BECKMAN: ACE.

THE WITNESS: ACE, yes.

BY MS. NAUGHTON:

Q When did you become aware of ACE?

A Probably shortly after it was formed, because my people probably reported to me and said, well, we formed this Panamanian company for Mr. Gadd.

Q I am sorry, I have to backtrack one more moment.

Regarding the conversation at your home with Mr. Gadd and Mr. Langton, did you describe this conversation to anyone else?

A No.

Q Did you tell anyone else about it?

A No.

Q Now, as to ACE, who told you that officials from SAT had formed this company in Panama?

A Mr. Langton I believe.

Q How did that come up?

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A I think he might have just informed me. I might have gotten back from a trip or something and he said, you know, that Bob went down and formed this company.

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Q Was this in the course of an ordinary business meeting or did he call you to ask if it was okay to do it?

A He didn't ask if it was okay to do it. I guess it was in a normal conversation. Maybe it came up -- I just don't know.

Q If he had asked your approval to do this, would that have been unusual or would you have given your approval to do it?

A I probably would have given my approval.

Q Had you done this for other companies?

A No.

Q Why then would you give your approval?

A I wouldn't see anything wrong with it. If it were of use to a customer, I would do so.

Q What did Mr. Langton tell you about forming ACE?

A He thought ACE was going to be the company that Gadd operated his Central American --

Q Resupply effort --

A Resupply effort, yes.

Q Did Mr. Langton tell you about the specifics, the mechanics of opening up the ACE account?

A Probably. Which meant they just took some money down and bought an off-the-shelf Panamanian company and opened a bank account and that was the end of it. It took a couple of hours.

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Q Whose money did they use?

A Mr. Gadd furnished the money, I believe.

Q Is that what Mr. Langton told you?

A Is that what he told me?

Q Yes.

A I guess so. That is the impression I got from some source. It wasn't our money, I didn't think. I certainly didn't authorize anybody to open an account with our money.

Q Would that have required your authorization?

A How much money was involved.

Q Let's say around $10,000.

A No. That wouldn't require my authorization. I thought they had a quarter of a million dollars or something. Just $10,000, maybe they did do it with our money and we got reimbursed.

Q But you don't know, is your answer.

A I don't know.

Q Now, how soon after the meeting at your home did you learn that indeed Mr. Langton and Mr. Gadd had reached an agreement regarding the maintenance of these flights?

A Oh, I don't know, it might have been a month or two.

MR. BECKMAN: Maintenance of the flights or maintenance of the aircrafts.

BY MS. NAUGHTON:

Q Maintenance of the aircraft.

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A They didn't reach an agreement on any ongoing involvement of Southern Air in the Central American activity, but we would just be technical advisors and provide maintenance as they required on call and that is what we were doing. That probably came up when I questioned Mr. Langton, what is going on down there.

At some point, he said we are really not doing anything other than providing support.

Q When did you ask him this?

A I don't know specifically.

Q A month later? A year later?

A It might have been two or three months later.

Q Why did you ask him?

A Because I started seeing the airplanes around and I was worried about if we got further involved than what he and I had agreed to.

Q Is that when he told you about the ACE account?

A It could have been. He could have told me at the time, too; I don't know. I don't remember it being told to me before the fact, though, but that is not really important. I would have authorized him to go ahead and do that.

Q Did you ever see a contract?

A No.

Q Would one have been written?

A No.

Q Why not?

A Well, because we provide drop-in maintenance for people all the time. I would assume there is a work order or something. When they want work done on an airplane, we generally open a work order and have the pilot sign it so we have something to authorize the work being done.

It is like driving your car into a dealership and saying, "I have something wrong with my lights and I would like you to check my brakes and change the oil," and the guy stands there and makes up a work order and does it and you pick up the car that night.

Q Would your answer be the same in terms of the term used, would an invoice have been prepared every time the maintenance required material?

A Yes, same thing on maintenance materials, if it were going directly on the airplane. I understand that we did a little more in this instance, that they might give us an order and we would have our purchasing agents go buy the stuff on the open market for them because they didn't have that structure and capability and then we would bill them for it, or maybe they would give us money in advance and we would draw against that advance, I am not sure.

It probably happened both ways.

Q Would you generally take out a fee for your services?

A We generally added 25 percent for that service. We do a lot of buying and the standard charge is cost plus 25 percent. Then we have a regular hourly rate that we charge for our maintenance depot like $30 an hour, so if they use it, we charge $30 an hour.

Q If we can skip ahead then to March of 1986, there was a purchase of a couple of C-123 aircraft?

A Yes.

Q Tell me what you know about that.

A I don't know anything. Ask me some questions.

Q To your knowledge, were some C-123 aircraft purchased on behalf of anybody by Southern Air?

A Only from what I read in the newspaper and I guess subsequently asking people in my company that we did advance -- I am not even sure we advanced, frankly -- we went down and bought a cashier's check to take to somebody in Fort Lauderdale to pay the purchase price on one C-123 and I am not sure that that was an advance by Southern Air or just money -- what I was told was that they had a check to pay for it, but the seller was demanding a cashier's check; he wouldn't accept their check, so we took the customer's money that was going to buy the airplane and we issued a cashier's check from our account to pay for the airplane so the guy would have good money.

We, in other words, accepted their bank check in good faith.

Q Who told you all this?

A Langton or Mason.

Q And this was only after the story broke in the newspapers?

A Yes. I didn't know we had done that accommodation until then.

Q Was this unusual.

A Not really, no. We have done this for a lot of customers or would do it. We have advanced money --

Q To purchase aircraft?

A To purchase something equally expensive. This was only $300,000 or something. Not that $300,000 isn't a lot of money, but this is a customer we have done business with, a man we have known for a long time. He has a check in his hand, even if he had promised it was on its way, we would probably do that. And for other customers, we have advanced a lot of money. Sometimes in aviation, a lot of people want cash in advance before anything moves and if we can accommodate them, we do.

Q Would it have been unusual to purchase the aircraft yourselves and then resell it?

A That I would have objected to because then you get into the chain of title and if there is a flaw in the airplane, you could get sued for breach of warranty. If you are selling the airplane, you are liable to be responsible for the condition of it.

I really wasn't asked on this deal. They might have done it something like that, but I don't think they did. I think it was passed directly to the user.

Q I am going to back track a minute because it is sort of in a separate category. The flights from Lisbon to Central America, beginning in January of 1985, in early 1985, January and February, what was your knowledge about those at the time?

A I don't recall those.

Q Were you told anything about them?

A I could have been, but I don't remember being told.

Q What have you since been told?

A That they were just chartered flights that we had out of Lisbon to Central America.

Q Who chartered them?

A I never asked and I don't know.

Q Even now you don't know?

A Even now. We do a lot of ad hoc charters and I assume that most of them are legal, and so I don't ask the details on each charter flight that we make. I have confidence in my organization that they will carry it out in a professional manner.

Q Are you aware of a company named Arrow Air?

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A Yes, I am.

Q How are you aware of that?

A They are a company in the airport out of Miami, a well-known charter operator and scheduled operator.

Q Were you aware that they were the subcontractor on the Lisbon flights in earlv 1985?

A I am now, yes, not only from your conversation, but having earlier knowledge of that, somebody told me either at the time I heard it in the halls of Southern Air or after the fact that we had to subcontract it because we didn't have the airplanes.

We didn't have a 707 in operation.

Q Why don't you go back again and tell me what you know of the January and February 1985 --

A Was that the Arrow one?

Q Yes.

A Apparently we got a requirement for a Lisbon to Central America flight. We didn't have airplanes to do it ourselves, so we went out and subcontracted to somebody else to do it.

Q Were you aware it was carrying explosives or arms?

A No, but it is no reason I should know that. It is not illegal. We carry arms lots of times, explosives, Class A and there are certain procedures you have to go through when you carry those and I assume they complied with that.

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Q To where did the flights go in Central America?

A I don't know.

Q Everything you know about those, is that what you were told by Mr. Langton?

A Yes.

Q Anyone else?

A No, I don't recall, but I attend meetings in the company from time to time. We have operators meetings every morning where we talk about flights that are going to take place in the next three or four days and it is possible I was in an operators meeting when they were talking about that we had some charters from Lisbon to Central America, but that we were subcontracting with Arrow.

I hear these type of things, but it is business as usual really. It is not something that would alert me. I would say we have a flight and had better look into it and see about it and see that I am not going to be integrated on it in the future.

Q These are daily meetings in the morning?

A Yes.

Q You attend them once a week?

A Yes, and I walk around halls.

Q Getting back to the contra supply and maintenance of the aircraft, how were you paid for the service?

A It is after the fact.

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Q What did you know about how payment was done prior to October 1986?

A Other than the general principle of my company that we get paid for services rendered and we don't let them get too far behind.

Q So you just assumed then that since you hadn't heard anything bad, you were getting paid?

A Yes.

Q Tell me what you have since learned.

A Subsequently, I have learned that apparently maybe a quarter of a million dollars was put into our account and they drew down against that for services rendered.

I am not even sure that happened in one case, but apparently moneys were put in our account and we then billed against that and charged the customer.

I think we are now $130,000 short in that account, though, so we didn't do our bookkeeping as well as we should have.

Q Have you billed for that $130,000?

A I don't think so. I don't know. I just found that out last week. Maybe we don't know who to bill.

Q That was going to be my next question.

A Maybe they headed for the tall grass.

Q Of this $250,000, did you ask at any time where it came from?

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A I told you I just found out after the fact this was the way we were being paid. Later I found out it was being transferred from Swiss bank accounts, a couple of transfers. This particular money. I am sure there were other transfers for maybe the Arrow flights. I don't know where that money came from either. All of that had been made available, I think through Mr. Mason.

Q I am asking you what you are aware of.

A I am telling you what I am aware of from talking to Mr. Mason after the fact like you did.

Q Of the flights on behalf of NHAO, to your knowledge, was there anything differently done regarding the billing procedure for that or the payment procedure for that as opposed to what we have just been discussing the maintenance, the services that you performed?

A I don't know. I suspect that those checks came from the State Department, who was in charge of dispensing that money.

Q - Does Southern Air have any foreign bank accounts?

A No. Oh -- do we operate in a foreign country -- no, we don't. We don't.

MR. BECKMAN: Are you still talking about ACE?

MR. NAUGHTON: There is some discussion as to whether that is a Southern Air account.

BY MS. NAUGHTON:

Q With the exception of that, do you have any foreign bank accounts?

A No.

Q Do you have any in London?

A Yes, we have one in London we just opened because we just opened a sales office there.

Q Any others?

A No.

Q Any in Switzerland?

A No.

Q To your knowledge, was any of your other business paid through either Credit S~~w~~uisse or any other Swiss account other than the ones under investigation here?

A There might have been some of our business overseas in past years. I don't know of any specifically, but I certainly couldn't rule that out. We have done a lot of charters in Algiers and Angola and around the world, and agents generally get that business for us, European agents, and they might use Swiss bank accounts.

Q This would not be unusual then?

A No. I would say this is a little different than that.

Q Why?

A Well, because this is an American company versus a

Swiss broker.

Q Okay.

So it would be unusual because you are dealing with a domestic company that is using a foreign bank?

A Yes.

Q And that would be unusual?

A I would think so.

Q You mentioned that you had a conversation then with Mr. Gadd regarding Iran and those flights.

A Yes.

Q Could you tell me how that came about?

A I think they wanted us to fly into Iran and carry some cargo.

Q My question was, how did this conversation come about?

A He called me up and we started talking about it. I think it had come up earlier with Langton and so the reason for the call was they felt they had to get my clearance for this.

Q So Langton discussed this with you prior to Gadd calling you?

A Yes.

Q What did Langton tell you before Gadd called you?

A I don't recall the specifics in the way you want to ask it. Kind of general --

Q Tell me what your general sense was.

A Generally, they wanted to talk about flying into Iran with our airplanes and he said Gadd wanted to call me and talk to me about that. So they did.

Q When Langton first told you this, what was your reaction to flying to Iran?

A I wanted to be helpful to any government activity if that was what was involved, but it seemed a little way out. I wanted to know how we would be protected.

Q When you say protected, what do you mean?

A I mean our percentage, our airplanes.

Q You mean physically protected?

A From loss, yes.

Q And you just said you had the impression this was for the government or government-related?

A Well, I can't imagine anybody would fly into Iran unless it was involved with the government. Iran is off bounds. You can't fly there if you wanted to.

Q Did you ask either Mr. Langton or Mr. Gadd if this was government approved?

A I probably did. I don't recall specifically.

Q Well, this is kind of important. How did you get this impression other than the fact that Iran is off limits? What did they say about --

A I don't remember specifically what they said. I just don't. It is understood it would be for the government. They might have said it. I might have asked the question. I might not have. I don't know.

Q Did you ask, "How are my people going to be protected?"

A I don't remember. The fact is we didn't do it, so it became moot. We didn't fly an airplane in there.

Q When Gadd called you on the phone then, do you recall what he said?

A They wanted us to fly our airplane into Iran. That is all I remember.

Q What for?

A To carry some cargo in and carry some cargo out. I don't even remember if they mentioned what kind of cargo it was. It just seemed so --

Q And fly some out?

A Yes. That is what I was told at the time. It was some kind of exchange, that they had something we wanted and we had something they wanted. It just seemed so unusual to me that I really didn't focus on what was going out. I was more focused on they are going into Iran, this is a place nobody can go in any more. That was very unusual.

Q But you didn't ask why?

A They told me they had some stuff they were going to take in and take out.

Q They just said stuff?

A Probably. I don't have an inquiring mind like you do.

Q You have been a pretty successful lawyer for many years.

A I didn't really want to know. We weren't going to do it. I don't ask the question until I decide I am going to do the operation.

I assumed it was sensitive and people don't want to tell you everything and I don't always ask everything.

Q When Gadd said they wanted to do that, did ~~he~~ tell you who they were?

A I am not even sure he said they. Maybe he did tell me who wanted to and I don't remember. I am not trying to be evasive. I really don't remember.

Q No. I am trying to find out everything I can.

Did you get the impression that this activity was separate from what Gadd had been doing regarding the Central American flights?

A Totally.

Q What gave you that impression?

A I guess just the geography of it, for one thing.

Q Did he say anything about the funding? In your last discussion, you discussed private funding, you only had a few dollars --

A Because we were going to operate that operation. This one we were going to get paid. This was just another charter to us, a little like the Lisbon charters. Those in my little compartment of mine were different from running the internal supply operation. That was running an airline down there we didn't want to get involved. We run an airline around the world. We charter airplanes and we carry cargo from Point A to B and someone calls us up and says we got the charter.

We go from here to there. We got a free airplane. We take it, and so this is something we do every day. Starting an airline in Central America is a whole different ball game.

So this Iran thing was just another charter and I guess maybe they were, but in my mind they were separate.

Also I had already done business with Gadd in different fields of endeavor that I don't think they were connected. I think he had government contracts to do this and then by virtue of his contact he apparently got another government contract to do something else.

I did without getting into specifics again because I don't remember the hard questions you want to ask, what did he say -- I got the general impression that probably the same people were involved.

You are going to say, "How did I get that?" I don't know, but I had the feeling that the same people were involved in the supply mission to the contras that were orchestrating the Iran affair. But here again with all the press we have had in the last three months, I am not sure if it is an after-the-fact impression or a current one at that time.

Q You mentioned that you had had a lot of dealings with Gadd by this time. Did you have any others with him in any other related areas that we haven't discussed so far?

A No.

Q When he broached -- first of all, how long did this conversation last on the telephone with Gadd?

A Probably 15 minutes; 20 at the most.

Q Did anybody else participate in it?

A I think Langton came over to my house before I received the call. Knowing I was going to receive it at such and such a time, he drove over to the house.

Q Do you recall approximately when this conversation took place?

A No.

Q Can you give me a month?

A I really can't.

Q Do you remember a season?

A I someway or another think it was in the winter, but I really don't know.

Q Would that be of 1986?

A Probably.

Q Did Langton participate in the conversation or was he just --

A Did he get on another telephone, I don't know. I don't know. I don't think so. I am not even positive he drove over, but I just kind of think he did. It was late at night.

Q Was it a weekday?

A I don't know.

Q This was then a call that Gadd placed to you?

A Yes, I think so.

Q Did Gadd say where he was calling from?

A No.

Q Could you assume Washington or --

A Oh, yes -- McLean or Vienna. That is where he lived.

Q When he mentioned that he needed someone to fly to Iran, did you discuss the same sort of logistical things you had discussed about the contras? In other words, what flag to fly under, clearances, registration?

A No.

Q After he explained to you what he wanted, what was your response?

A My inquiry then was what kind of insurance would we have for our airplane?

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Q What did he say?

A Well, I knew we didn't have insurnace to fly into Iran, so really my question is, could I go for a waiver or could I go buy insurance in the open market to cover this one flight? If I couldn't do that, then I would have to have a hold harmless from a responsible party, and if it is a government flight, it would have to be from the government, holding us harmless for any losses, et cetera, et cetera, et cetera.

With those qualifications, I probably said that --

Q What did Gadd say to your insurance question?

LDD ends

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A I think he said he understood our needs and would take it up with his principals.

Q Is that how he referred to them?

A No, I don't think so. Maybe "clients" or customer. Probably more likely customer. But don't hold me to that because I don't know what he said. I am trying to give you the general context of it.

Q I am not asking you to quote anything. I am just asking the questions.

Did he give you assurances that these things would be taken care of like he did with the contrast?

A No, he said he would have to talk to somebody about it to see if they could be done. He said without them, we couldn't possibly fly; couldn't even consider it.

Q After he said he would take that up with his customers or principals, then what did you say?

A Then I think we kind of hung up, and then I think a couple days later they couldn't meet those requirements, so we didn't do it.

Q What is the next thing you learned about any flights to either Tel Aviv or Iran?

A It seems like I kind of went out of the pattern after that, and then I learned and I am not sure if it was after the fact-- it must have been before the fact-- that Langton had arranged to go ahead and do some flights to

Israel which we didn't have a safety problem with, and we didn't have an insurance problem with, and we didn't have any legality problems with, and then I think--I am sure I was informed before the fact that if we could find voluntary pilots that we would pilot other people's airplanes into Tehran that in fact is what ultimately happened.

Q Now, you learned this before the fact.

A I don't really have a nice clean specific time in my mind when this revelation was made known to me, but I kind of think that Langton would not have done that without prior approval. So I suspect he did come to me before the fact; not necessarily on the flights to Israel, but our pilots going into, as volunteers, which they were-- into Tehran.

Q All right. When did--do you remember how Langton told you this? In other words, was this something like he came over to your house in the dead of night?

A No.

Q Or was it an ordinary--

A We have offices right next door to each other, and he kind of walks in and casually mentions something from time to time. It wasn't a high profile discussion that I can recall.

Q Did he tell you that Gadd still wanted to do this, or the Iran mission was still on, or how did he bring this up?

A I don't know, to tell you the truth. It was my that after we backed out of it, that they did run some flights into Iran with somebody else's airplanes, and so we were totally unconnected with it; but it didn't go as well as they had wanted, and they wanted to get Southern back involved in it if they could, even to the extent of just using our pilots.

Q Langton told you that?

A Yes.

Q When Gadd first told you about this, did he specify the kind of aircraft he needed?

A No, but they needed a large jet because of the speed and the range. They were going to have to go down the Red Sea and around, and they couldn't go cutting across Saudi Arabia or however. I don't know the geography that well. I would have to get the map out. But they showed me, and they needed a DC-8 or 707 type aircraft.

Q When Langton told you about this, was it like he had already made the plans and was just checking with you, or was he seeking your approval and then was going to do it?

A I think it was the former. He had already made the arrangement.

Q Did he already have volunteer pilots?

A Probably.

Q To your knowledge did they file waivers to hold the company harmless if anything happened to them?

A No, they did not. If they did, I don't know about it.

Q All right.

A They probably should have, to be more careful.

Q Now, after Langton told you that, this was his plan to go ahead with this. What was your response?

A Okay.

Q All right. Is that because you felt this was a government-sponsored mission?

A Certainly.

Q When you say certainly, tell me what went into your thought process.

A Well, I just wouldn't let anybody go into Iran unless it was government-to-government under those circumstances. It was illegal, I thought, to go into Iran probably, except our airplane wasn't, so we were not going in from that standpoint, but it was very dicey business, I would assume, unless it all had been laid on by a government. I can't imagine private individuals doing that.

Q What did you think at this time--who did you think Gadd really worked for? Did you think it was CIA? Did you--

A White House.

Q White House?

A Yes.

Q Why that, as opposed to CIA?

A Because I think by that time North's name was being bandied about in the office.

Q By whom? By Langton?

A Yes, and who he had gotten it probably from Gadd or somebody.

Q What did they say about North?

A I don't know. He was in the White House.

Q Well, gentlemen, what did they say in relation to that? Why did he come up? Why did his name come up?

A I don't know. I wasn't in the day-to-day conversations. I just heard the name.

Q But when you heard it, what was the context in which they were speaking?

A They basically spoke that the White House was involved, and I think they might-- at some point I knew the National Security Council was--name was bandied about. So those came to my mind. Some place in this long process of conversation.

Q So would that have been a connection with the Contras, as well as the Iran?

A Probably in my mind it would have been.

Q Have you ever met Oliver North?

A No.

Q Have you ever spoken to Oliver North?

A No.

Q To your knowledge, had Mr. Langton ever met or spoken with Mr. North?

A No. To my knowledge he hasn't, but he could have. I don't know.

Q While they were running the first Iranian mission, that is the pilots going over, did you keep a day-to-day contact with it, or were you informed after it was over that it went successfully or what happened?

A I was informed after it was over that it was successful. I think it went down pretty fast, and they came back on the first of the month, as I recollect.

Q Did you ever talk to the pilot.

A Yes.

Q Who was the pilot?

A The one, the only one I have talked to is our vice-president of flight ~~opening,~~ operations, Paul Gilchrist.

Q Mr. Gilchrist.

A Who told me about his trips when he come back.

Q What did Mr. Gilchrist tell you?

A I don't know. I mean I don't recall. I would really think you ought to ask Mr. Gilchrist what he told us.

Q What do you recall him telling you?

A A lot of anecdotes really mainly.

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Q Tell me one.

A I really don't remember. I would rather not try to paraphrase what he said. I just don't remember that clearly.

Q What was the impression you came away with after speaking to Mr. Gilchrist? In the back of your mind did you say, "Oh, oh, we got trouble," or, "This went well," or what?

A I think on one of the flights he said it went very routinely, but-- he went in with McFarlane and Secord, and I think North went along, too, I am not sure who was there. I do know McFarlane was. That was a pretty hairy operation.

Listening to Paul Gilchrist, it was very scary. The impression you got was that you are in a country that nobody is in charge; that on one side of the field it is very nice, and you are in the charge of the mill, but when you move to the other side of the field and you are in the hands of the revolutionaries, that you don't know what is going on, and that they don't live up to their word.

They promised certain things when they came in, and none of them came to pass, and you had a real bad feeling that they might just make a hostage out of you even though they invited you in.

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Q Did Mr. Gilchrist give you the sense that he wanted to go back or expected to go back?

A Yes. And he did.

Q Did he want to go back?

A I don't know if he wanted to. He certainly, I guess enjoyed the adventure of it. You have to know Mr. Gilchrist. He is quite a guy. He went back twice more without McFarlane; just our crews.

Q After you spoke to him after the first time he went he had the impression that he would go again?

A Yes. That is the feeling--I didn't ask him, "Will you go again?" I didn't even know if they had a need for anymore missions, frankly. He didn't feel that one went well from the overall observations of McFarlane and the Iranians.

Q Did Gilchrist mention that he had returned any of the stuff he came with?

A No, I don't think they brought anything out. They did on the mission that McFarlane was on; that things did not go the way they were supposed to, and they had--we had an airplane in the air that we turned around and went back to Israel that was on its way with more cargo.

Q Was that later delivered to Tehran?

A I don't know. I suspect it was in some of those later flights. I don't know how many later flights there

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were, one or two.

Q When you had the impression from Mr. Gilchrist that there would be more flights, did you tell him--

A I didn't get that impression from Mr. Gilchrist. He would go if there were more. That is the impression that--that he wasn't so frightened of his experience and that he was a good enough citizen, and he thought this was a mission that the country wanted; that he would go ahead and do it.

Q And did you encourage or discourage that?

A Neither. I just listened and voiced amazement and interest.

Q At the time he went, he was on your payroll and you were paying him, correct?

A I think they put him on vacation when they went on these trips, but we were paying them, yes, we paid them.

Q Why did they put them on vacation?

A I think for security reasons. We were trying to not let the rest of the company know that they were away and have some excuse for them being away.

Q Whose idea was that?

A I don't have any idea. Probably was Langton, Secord or something like that. But it was, you know, they considered it a sensitive activity, and they really didn't

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want anybody talking about it.

Q How involved was Secord in the planning of this?

A I don't know because I wasn't involved in the planning of it, but someplace, someplace Gadd drops out and Secord comes into the pattern.

Q Before the flight, the first flight takes off?

A Probably. I think Secord--I am not sure if Gadd wasn't just the first introduction to the Iran, and then he kind of was not involved in Iran at all, and someplace else along the line he drops out of the Contra, and I suspect that happened when the hundred million was appropriated or something, I don't know.

I don't know the sequence of it, but someplace Langton seemed to be dealing more with Secord and Dutton than Gadd. I don't know when that took place.

Q That is from around June 1986, perhaps.

A Perhaps.

Q To your knowledge, how many flights were there by SAT pilots to Iran?

A I don't know. I think three.

Q And on any of these flights did--I am talking about the return trip from Iran to Tel Aviv--did any of them continue on to Central America of which you are aware?

A I am not aware of that, no. They might have come

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back via Central America.

Q Why?

A I wouldn't consider that a continue-on. They were moving cargo, but on the way back from the far left, we might have done a back-haul from Lisbon to Central America.

Q On one of the previously existing contracts?

A We tried to get back hauls also when we were flying, you know, the object of our business is not to fly empty airplanes, so if there was a back-haul and one of them could have been the Lisbon-to Central America, and if the same people were involved in it that would be certainly an objective I would think.

Q By the way, when you spoke to Mr. Gilchrist about the McFarlane mission, did he describe to you the bible incident?

A No, he didn't.

Q And the cake?

A He did describe that they took some pistols.

Q Who had the pistols?

A They took them as gifts, some, maybe dueling pistols or target pistols, or maybe magnum 500's, I don't know, but they had some pistols that they took, McFarlane took as a gift, and the reason I know that is because I was one of the--that was one of the anecdotes, the pistol boxes

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were left on the airplane, and the pistols had been delivered so the people guarding the airplane was wondering where the pistols were that went with the boxes, because they thought the crew had them, and of course they had to then try to convince them that, no, they didn't have any weapons and everything was safe.

Q But he didn't mention the cake or the bible?

A No, I never heard that part of it.

Q All right.

How was SAT paid for these?

A I don't know. I think they were paid out of a Swiss bank account. I think there was a mixing of the monies there.

Q Explain that to me.

A Well, when I first looked into the money, it was way after the fact, and I saw--they said, well, there was some, two transfers to our bank account, and I in some way think they totaled about a quarter million dollars, and then I asked, well, where did that money go? What services did we provide for that money, and they said, well, we provided this, and this, and this is Mason telling me, we provided this service for maintenance, et cetera, on the contra thing.

Then we provided this Iran flight, and I said, "I thought those were separate. You are taking it from the same pool of money. How do you do that?" And, this was my recollection. That might have been straightened out, and I might have been misinformed at the time, so I think, you need to get that from Mason, and he has now, I think, put together a compendium of the money we took in and where it came from and where it went to and the whole thing. But this was my first knowledge that maybe there was, maybe this money was being used for dual purposes.

That would have been maybe not two months ago or something--shortly after you came in.

Q This was after it became public.

A Long after that.

MR. BECKMAN: Can we stretch our legs a bit?

MS. NAUGHTON: Certainly. Let's take a 10-minute break.

(Whereupon, a short recess was taken.)

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BY MS. NAUGHTON:

Q Before the break, you had mentioned that after the story broke regarding the Iranian trips and you sat down with Mr. Mason and Mr. Langton to discuss the monies received, you mentioned two transfers from the Swiss account in the amount of approximately a quarter of a million dollars to your bank, and that it seemed to you that the money had gotten mixed between the contras activities and the Iranian activities.

Could you explain to me again what you told them regarding the mixing of those funds?

A Well, the way it came up was there was a subpoena outstanding relative -- issued by the Customs people and Customs came over and -- or were going to come over, I guess it was, and I said I wanted to see what we were going to produce for them. ~~[illegible]~~ Langton -- and I guess Mason -- they just had a few pieces of paper, one of which was these two telexes.

I could be wrong on whether it was a quarter of a million dollars, but it was two transfers to our account.

I said, what the Customs people are going to want to know is what did you do with this money, what did you use it for, so I would like to see the invoices that we charged out using this money for our customer and that we didn't supply any of it.

Then they began to explain to me where the money went

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without having the invoices there, and they said, we charged this to the contra thing and to the Iranian trips, or maybe it was the trips from Kelly Air Force Base to Israel, charter flights there. But in my mind, those were two different movements and of course Customs at that time were looking only at the contra affair.

As a matter of fact, this was before the Iranian affair became in the news, before the disclosure on that, before the last mission there.

I said, you are mixing those things up. Is it all coming from the same source or something like that. And I asked Langton to check on that with whomever he was dealing with, and so I think he tried to get ahold of Secord.

I don't know if Secord was in the Middle East then or what the problem was, but they couldn't get hold of him right away, so we put the Customs people off for a day or so to pick up on this data. And my concern was, not that I didn't want to go ahead and disclose under subpoena what we were supposed to disclose, but that this was supposed to be a very sensitive area -- the Iranian affair -- and that was not in the news at this particular time.

And I think because of that conversation, I think that was the time maybe that the FBI investigation was delayed until they completed the Iranian rescue missions, or whatever you want to call them.

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Q Had the FBI already been to Southern Air at this point?

A Very early on it had been announced that the FBI was going to investigate Southern Air, almost immediately upon the loss of that airplane in Central America, but nothing came of it. They didn't seem to follow up on it and I don't think there had been any pressure brought to bear on them.

Q You just thought the FBI was going to come in and you wanted to get this straightened out?

A I didn't know whether anybody was going to come in. Customs was asking for the documents. My feeling was that these documents would raise more questions than they answered and Secord or whoever was in charge ought to know this, because we were ready to turn them over.

Q What was Langton's response to that?

A I think he called Secord.

Q What happened?

A I think he said they will take care of it and we wouldn't have to have any more problems with that subpoena -- the Customs.

Q So, were your instructions to not turn it over, and the Customs investigations would cease, or --

A Not to turn it over, yes. But I don't know if the investigation would cease. I just don't know. I didn't

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follow up on that. All I know is I just pointed out the problem and said if Secord and their group don't get the firms to do something I am going to turn this over to them and I didn't know what was going to happen.

Q Langton came back and said he had talked to Secord and you weren't going to turn over the documents?

A Yes.

Q Did Customs come back to you --

A They have ultimately and we have given them the documents.

Q What was that, do you recall?

A I don't recall. I recall this one thing because it was about a week before the last mission into Iran before it became [redacted] public.

Q So this is a week before the last mission was flown?

A Maybe two. I don't really know.

MR. BECKMAN: Excuse me. I don't think we have given the thousands of documents to Customs that we have given to you. They asked precise questions relating to export. that is their frame of reference and we gave them documents relating to that.

MS. NAUGHTON: Can you perhapse help us with the time frame on the original Customs subpoena?

MR. BECKMAN: I don't know that there was a subpoena. I didn't get into the act until the end of November.

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Was there a subpoena.

THE WITNESS: Yes, there was.

BY MS. NAUGHTON:

Q Do you have a copy of that subpoena?

A I don't know. No. I am sure someplace there is one.

MS. NAUGHTON: Could we possible get that?

MR. BECKMAN: I have a copy of a Customs subpoena, but it was a moveable feast, they kept changing.

MS. NAUGHTON: You mean the production date --

MR. BECKMAN: The request itself, because they didn't ask it expertly, to put it kindly.

MS. NAUGHTON: Was this a grand jury subpoena?

MR. BECKMAN: At first it was an administrative subpoena. Then it was a grand jury subpoena. We were told to ignore the administrative subpoena. We should consider the grand jury subpoena as encompassing the administrative subpoena. Then the grand jury subpoena we were told to ignore. In fact, sort of the day before we were to appear at the grand jury, we were told not to come and we were told to go back and comply with the administrative subpoena.

MS. NAUGHTON: Who told you not to appear for the grand jury subpoena?

MR. BECKMAN: The Assistant U.S. Attorney who was handling it.

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MS. NAUGHTON: That was out of Miami?

MR. BECKMAN: Yes.

MS. NAUGHTON: The main Miami office?

MR. BECKMAN: The Assistant U.S. Attorney for Miami.

MS. NAUGHTON: Do you remember who that was?

MR. BECKMAN: The name Scrubbs is in my mind. He signed the grand jury subpoena.

MS. NAUGHTON: Do you recall when it was that you were told not to appear?

MR. BECKMAN: Let me look at my calendar. I think we were to appear on the morning of the 9th of December, because I have a note on my calendar that I went to Miami the night of the 8th. So therefore, to the best of my recollection, the appearance was to be on the morning of the 9th and it was called off very close to the time.

I think this is the day you weren't feeling very well. You were told to come down anyhow to talk to you.

MS. NAUGHTON: I am just trying to get a handle on when the original subpoena was served.

MR. BECKMAN: It would have been early October, I think. On the basis of what Jim says there was a subpoena served --

MS. NAUGHTON: Would this be before the Hasenfus crash?

MR. BECKMAN: No, afterwards, or maybe early in

November would probably be closer.

BY MS. NAUGHTON:

Q When you discussed this problem of the double -- sort of double account for lack of anything better to call it, what was Mr. Mason's reaction to that? In other words, did he say he -- what I am getting at is how did he explain how he knew to bill part to the contras and part to Iran?

A I didn't ask that question, or I don't recall.

Q Did Mr. Mason indicate he had received any instructions on how to divide up that bulk sum?

A I don't recall. He didn't tell me I am almost certain.

Q Did you ask Mr. Mason or Mr. Langton if the accounting was accurate?

A No. I assumed they were doing what was correct. You know, I assumed they were doing it with more coordination with the customer and that we weren't just debiting accounts that are willy-nilly, but you would have to ask them, I am afraid.

Q How is it that you learned that Secord was the originator of those funds?

A I might have mispoke. I think Langton called Secord as a result of our conversation on these particular invoices, and whether to turn them over to the Customs people.

Q Who did Langton say he was calling?

A Secord, I believe, but I am not certain. It might have been Bill Dutton, but it may have been Gadd.

Q What was your understanding about Gadd sort of shifting out of this and Dutton sort of coming into it in the summer of '86?

A I guess I figured that that was about the time that funding was coming about from the U.S. Government and now it would move more into an official channel than in a private channel. But now you tell me Secord isn't part of the government, so I am not quite sure.

Q In other words, you thought Gadd represented private interests or official interests?

A Private. Both of them did. I knew both of them did. Maybe it is just a contractual problem up in Washington, the power struggle between the two, who gets to run this affair.

Q Did either Langton or Mason tell you that Secord, that the funds from the Swiss account had come from the same account?

A All I saw were the two telexes, one transferring so much money, another transferring so much money, and this was the full source of all the money to pay for all these operations. I knew they were different operations, I said it looks like the money is coming from the same bank at least. If you go down this road the Iranian thing is still very sensitive. It is not in the public domain. Do they want us to turn these over to Customs. If they don't, they better know we are going to do it tomorrow. That was the end of my conversation in a sense. You better tell whoever you are dealing with that either help us out here or we are going to go ahead and comply with whatever subpoenas we have outstanding.

Q And Langton came back after speaking to who you assume was Secord, and told you to hold off on that, they would take care of that?

A Right.

Q Have you since given them to Customs?

A Yes.

Q Did you ever see and handwritten notation by Mason or by Langton --

MR. BECKMAN: I am not sure we have because of the way Customs subpoenas were drawn. They seemed to be interested in the C-123s and our documentation of the C-123s was almost nil.

MS. NAUGHTON: On the purchase of them?

MR. BECKMAN: We didn't purchase or export them. They were interested in export.

THE WITNESS: They might have redefined their subpoena and cut it back, because it was very general. Then also the Special Prosecutor's investigation has made some of

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those previous investigations stand aside for a while not to interfere with his investigation.

BY MS. NAUGHTON:

Q That is obviously after the fact?

A We are complying with whatever outstanding subpoenas there are.

A Okay. Were you ever aware of any account numbers from the Swiss banks?

A No.

Q Do you know whether or not Mr. Mason had any account numbers?

A No.

Q Do you know of any other invoices or billings or contracts that were paid from the Secord group from those Swiss accounts other than those that we have discussed today for any other services?

A Other than what Mr. Mason has given you, no.

Q During the break, I have shown you the materials which had been marked as exhibits in Mr. Mason's deposition, which is the underlying accounting materials; that is the advices, the wire transfers and some of the ledger sheets. You have indicated -- I am showing you a copy now for the record.

You had indicated that you had not seen those documents before, is that correct?

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A That is correct.

Q I am now showing you the recap which was prepared by Mr. Mason for your attorneys and provided to our committee and ask if you have seen that document before?

A This is a recap of the Ace account and I saw it two days ago for the first time.

Q Now, I am going to have the reporter make this, please, as Exhibit Number 1.

(The following document was marked as Exhibit No. 1 for identification.)

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MS. NAUGHTON: Exhibit 1 for the record is in nine pages. It has no heading but is marked confidential SAT, indicating a Southern Air document. I can't tell what the first three digits are. They look like zeros. The last three are 720.

BY MS. NAUGHTON:

Q I ask you, have you ever seen that memorandum before?

A I have never seen this. I don't believe it to be a Southern document.

Q Why do you say that?

A I don't know, it just doesn't look like something we would write.

MR. BECKMAN: He means not generated by Southern. The fact that it has that number means we produced it.

MS. NAUGHTON: I understand.

THE WITNESS: No, I have not seen this one before.

BY MS. NAUGHTON:

Q When you say that looks like something you wouldn't have produced, why do you say that?

A Well, I don't know any of the names in here, any of the terminology, like the farm, Cincinnati, the plantation. These are all key percentage, project managers -- I have just never heard of any of these terms. It doesn't look like our type writer, et cetera.

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Q Does Southern Air pay for any of your personal expenses?

A No.

Q What about -- you have a maid and a cook?

A Right.

Q Does Southern Air pay them?

A Yes, they do. I am reibursed.

Q Can you tell me why that is?

A So that the maid and cook can have the benefit of Southern Air's health plan and so I don't have to do the payroll, you know, and the FICA taxes and all, and the company bills me for all of these costs on a monthly basis and I pay them.

Right now we do not have a cook. We have a yard man.

Q Is there anyone else in that category that Southern pays that is not a working employee of the corporation?

A No.

Q Have you, or to your knowledge, anyone in your company ever given over $10,000 in cash to any employee to take out of the country?

A I haven't, and to my knowledge the company hasn't. To take out for good, right. I know we used to give pilots more than that because they had to carry it with them to buy fuel and things on the road back in the old days, but I am not sure that we don't have credit every place now.

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Q What are their instructions regarding the reporting of that currency?

A I don't know. They have to account to us for it. Are you talking about to the U.S. Government?

Q Yes.

A I don't know.

MR. BECKMAN: I think what she is asking is do you expect them to smuggle that through Customs?

THE WITNESS: I don't give any instructions.

BY MS. NAUGHTON:

A Okay.

You say the FBI requested you. Do you recall when that was?

A A month ago.

Q Do you know how long that interview lasted?

A A half hour.

Q Is there anything that you told them on that occasion that you have not told us so far in this deposition?

A Yes. Their inquiries were primarily related to ownership. It was almost exclusively to ownership and they got into stock ownership a little deeper than you did, getting into stockholder records and things like that.

Q And did you provide them with records that you have not provided to this committee?

MR. BECKMAN: Yes.

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THE WITNESS: Yes.

MR. BECKMAN: We weren't asked. We showed the FBI agents the stock transfer books, doctor's certificates, which were not asked for in this subpoena.

BY MS. NAUGHTON:

Q Did they request documents regarding the acquisition of your capital to purchase the corporation?

A No.

Q Has anyoneasked for those records?

A No.

Q Did they show you any documents?

A No.

Q Was that your original meeting with the FBI? Have they since contacted you?

A That is my only meeting. And they were then working for the Special Prosecutor, I believe.

Q To your knowledge, how much profit, if any, did Southern Air make from the Iranian trips?

A I have no idea. I suspect at this stage nothing after paying legal fees.

Q I don't consider that an expensive --

A I don't know.

Q Excluding legal fees, do you have any idea --

A No. It was a normal operation.

Q I am discussing now both the contra resupply effort,

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the Lisbon runs and the Iranian, everything we discussed to date, which is that you got paid the usual rate, a lesser rate, or a higher rate?

A I suspect there was a small premimum on them. I did not make the rates, Langton did. I don't know what we charged. I would imagine that he put a slight premium on that -- maybe ten percent -- for the difficulty of the operation, the waste, the time -- there was a lot of time wasted in these things.

Q Did it ever enter into your discussions in your company, or into your own thought that cooperating with the Secord group or with Mr. Gadd would in any way result in favorable treatment regarding government contracts that you were seeking?

A Not at all. The way we get our government contracts is what I tried to explain earlier to you, it is very open, an award criteria is very clear, every place the game is the same way and nobody is favored. If anything, it could hurt us, I guess, with all this notoriety.

Q Would you say that it is fair to state that since '83 or certainly since '79, your company has expanded a great deal?

A That is correct.

Q And much of this is the result of government contracts?

A Acquired in the normal course of business through the award criteria that everybody else plays by. Having nothing to do with Iran and in spite of, I would say.

Q At this point I guess I am really asking, did you have any sense, in dealing with the Secord group, especially once you knew it involved McFarlane, and at that point you knew the National Security Council was involved --

A He was outside then. No, we didn't think of it in terms that we were going to get business from it. We thought we were doing a service and it was something we could do.

Q Were you or anyone in your company ever asked to make any political donations to any political party or political action committee?

A No.

Q Do you know of any monies diverted for such purposes from any of those transactions we have discussed?

A No.

Q Could you explain to me when you met Mr. Dutton?

A I have met him once in my life, and that was I guess maybe a couple of days before the last flight into Iran.

Q Could you tell me how that came about?

A I guess it came about because I was complaining bitterly to Langton and the rest of management about the terrible press that Southern Air was getting because of its assistance in the contra affair, and also the high cost of all the subpoenas that were being laid on us and the terrible unfairness of it all, and that someway I wanted somebody to take the pressure off. It seemed we were standing alone.

So, as a result of that conversation, Langton had General Secord and Dutton come to Miami and met with me for about an hour and then went back to Washington, I guess, to kind of calm my feathers.

Q Would that have been in December?

A That would have been about two or three days before the last mission, because the reason they came there was for fear that I was going to pull my support out for the last flight into Iran, which they thought was going to result in some very favorable action by Iran, and they just came down to say everything is going to be all right, we are doing what we can to get the pressure off of you, but will you go forward and not pull out on us now.

Q When you say unfavorable publicity, you are talking about the contra end of it?

A Yes. Iran had not been made public yet.

Q Was Mr. Langton part of this meeting?

A Yes.

Q Where did it take place?

A In the Viscount Hotel.

Q Is that where they were staying?

A They flew down and we had a meeting there.

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Q But they wern't staying?

end msl A No, they just came for the day.

Q Why did you meet there?

A Because they didn't want to meet in our offices.

Q What was your sense between Mr. Secord and Dutton? was Secord Dutton's superior, or were they co-equal, or what was your sense about that?

A Secord was -- Dutton was Secord's subordinate.

Q Did he tell you that?

A No.

Q How do you know that?

A I really didn't get it from that meeting, particularly. I guess I just kind of heard it in talking to Langton, that that is the way it was.

Q Tell me how the meeting began.

A I don't know. To tell you the truth, I think Secord just kind of briefed me on how things were going along and that they would try to get the pressure off of us some way, and they -- it wasn't much of a meeting, frankly. It was kind of in response to my blowing off in the office, and by that time, I had cooled down, so it was not very substantive.

Q What did you tell them? You had cooled down, but what did you tell them?

A I told them we would go ahead and support the last mission. I wasn't about to pull out.

Q Did you tell him you were upset about having to take the heat?

A Yes.

Q What did Mr. Secord say?

A I don't remember.

Q What did Mr. Dutton say?

A I don't remember.

Q I am not asking you for a verbal quote.

A I know. I am just telling you it was a nonsubstantive meeting. They just kind of tried to ~~[illegible]~~ calm me down, and as I left with Langton, I said, "You know, I don't even know what they told me." Well, it is one of those kinds of meetings. They didn't promise anything, they just kind of -- I let them mumble their way through and didn't hold them to any hard promises because I knew they couldn't deliver.

My problem was the press, and they can't make the press stop. I can't make them stop.

Q Did you ask for more money?

A No.

Q Why not?

A Never talked money. Why should I? I assumed we were paid.

I didn't call them down to squeeze money out of them. You misinterpret our whole --

Q No, no. I am trying to refresh your recollection on what they said and what you said.

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Did Secord give you any -- first of all, did you know Mr. Secord was a retired General?

A I knew he was called General Secord.

Q Is that how you addressed him?

A I don't know how I addressed him, frankly. I probably called him by his first name, and I don't even remember what that is now.

Q Did he tell you that this was going to be the last mission? The one that was upcoming?

A I got that impression. I don't think he used those words. But I got the distinct impression, and I don't think anything was directly said, but that they expected some major breakthroughs with this one, probably hostage releases or something, and in fact that did occur.

Q Did you remember specifically discussing hostages, did anyone mention that?

A I don't remember, no, I don't remember that being mentioned. It probably was, though, but I just don't remember the substance. Like I say, it was a conversation with little substance for coming all the way down here.

Q What did they tell you about the press, if anything?

A I think they expected some good press once they got the Iran people released. I think they did say something like that, that after the Iran trip we are going to get some good

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press, and you will have some good press, and my reaction to that is I didn't want any press, good or bad. I just wanted to be disconnected with it because in our business, you know, good or bad is not what our bankers are looking for, it is business as usual, not helping our government.

Q Did they indicate to you if you fulfilled the last mission that you would receive any sort of reward, whether it be financial or whether it be other contracts or whether it be a medal of freedom?

A No.

Q Okay.

A We were not looking for anything. We didn't look at these people as anybody who could give us anything.

Q I am not so concerned with what you were looking for as what they represented to you.

A They didn't represent that at all. Nobody in our company, I think, will ever -- you can ask them all that question -- but we were not looking for business in this, nor were they promising anything. This was a contract that stood on its own. We made some money from it. It was -- except for the uniqueness of providing pilots to go into Iran, most of it was business as usual.

Arrow flew two or three flights to Israel carrying the same thing, and I don't know if they are going through this same interrogation or not. But they did the same thing we did. Mark Air flew a number of flights, at least one or two, down to Central America. I don't know if they are going through the same interrogation or not. I guess it's all for one time. Thirteen years ago, we were owned by the CIA.

MR. BECKMAN: Excuse me, Jim, in saying that you made some money, do you know whether you were paid for the last flight in October?

THE WITNESS: I don't know, no. I just assume, I have great faith in my management. I assumed they would price our product as though if all goes well, we would make a decent profit from our activities.

BY MS. NAUGHTON:

Q So is it your testimony that even though they didn't represent that there would be any benefit to your continuing to fulfill the last mission and given your discouragement regarding the press that you had nevertheless went ahead and did the last mission?

A That is correct.

Q Why?

A I felt, number one, that it was a kind of a commitment that we had already made, we had done several more, they were ready to make the last one, and I felt that it was helping our country. Obviously, it was something being done for the government.

Q Did you discuss at all the Swiss bank account and the double accounting with the invoices?

A No.

Q Do you remember why not?

A Why should I?

Q Do you want to elaborate on that?

A I just don't know -- to me, it was of no interest other than the fact that it slows their operation. You know, that obviously the reason I brought it up in the first place is that I thought this was an extensive mission, and they were using the same funds, or at least money transferred from the same funds, to pay both parties, but I didn't see that as illegal. Why should I question it?

Q Did you get at this time or any time the sense that the cargo to Iran were arms or missiles or anything of that nature as opposed to humanitarian relief or oil drilling equipment?

A I think they knew they were missiles.

Q Do you recall when you knew that?

A Probably when Paul Gilchrist came back from his first trip.

Q You recall him telling you that?

A Probably, yes.

Q And you expected when you met with Secord and Dutton that the next shipment would also be military weapons of some sort?

A Yes.

Q Okay.

A It didn't matter to me one way or the other.

Q I understand.

A It is not -- it wasn't a great inquiry.

Q Did either of them mention any other objectives that they had in these transactions other than the release of hostages?

A Some place along the line, not in that meeting, but I got to maybe talking to Paul Gilchrist in one of his debriefings that they were opening negotiations with what they thought was a moderate group in Iran and that possibly a coup could result from this. I think that was certainly their hope.

Q Did Secord or Dutton say anything of that nature to you?

A No. I would have remembered it.

Q Did they indicate to you on whose authority they were operating? Did they mention the White House, did they mention the NSC, did they mention anyone at the White House?

A Not to me, no.

Q Did anyone take notes of this meeting?

A No.

Q Did anyone, to your knowledge, record a memorandum of this meeting?

A No.

Q Does the meeting appear on your calendar or appointment book?

A No.

Q Do you have a calendar or appointment book?

A I have a calendar, but not -- well, I guess it is an appointment book, but it is not well maintained.

Q Do you personally maintain it, or does your secretary?

A I personally maintain it.

Q Was that turned over to the committee, or was it requested?

A It wasn't turned over to anybody that I know.

Q After you and Mr. Langton left this meeting, did you discuss what had transpired?

A Not particularly. I am sure we did, but I don't recall our conversation other than the one I mentioned, you know, when I was leaving walking down the hall saying "I don't know what they told me."

Q What was Mr. Langton's response to that?

A Well, probably the same, it was a mushy conversation, nonspecific.

Q Since he had arranged it, since you were upset, did he think it had gone well, or was he disappointed with their reaction, or what was his response?

A I don't know, you would have to ask him. I don't know what his reaction was.

MR. BECKMAN: Excuse me. On the appointment book, they are talking about 1986. Do you know whether you still maintain the 1986 book?

THE WITNESS: Yes, I still have it.

BY MS. NAUGHTON:

Q I am going to ask you some questions about some other people, and I guess my questions will all be the same, whether you know them, whether you have either spoken to them or met them and conducted any business with them or know them socially in any context. We will go through the names, and then you can elaborate if you do.

John Cupp?

A I don't know him.

Q C-u-p-p.

Do you know Adolfor or Mario Ca~~l~~ler~~i~~o?

A No.

Q Do you know General Singlaub, S-i-n-g-l-a-u-b?

A No.

Q How about an Edwin Corr, C-o-r-r?

A No.

Q Thomas Clines, C-l-i-n-e-s?

A No.

Q How about Mr. Hakim, H-a-k-i-m?

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A No.

Q Did you ever hear his name mentioned in the context of General Secord?

A No.

Q Now, this meeting that you had with General Secord, is that the first time you had met him?

A Yes.

Q Had you ever spoken to him on the telephone?

A No.

Q Had you ever had any correspondence from him?

A No.

Q Have you ever had any correspondence with him?

A No.

Q What is your impression of him?

A He is a nice guy.

Q Did you [illegible] impression he was [illegible] from this or this was a patriotic gesture on his part?

A Patriotic gesture. I am sure he has to live, though. But I don't think money was the motivator.

Q Did he mention to you any of the other financial concerns he had that other companies that

A No.

Q As to Mr. Langton, when did you first become aware of him in terms of knowing that you wanted him on board?

A Probably six or eight months before he joined us.

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Q How did you become aware of him?

A Well, I was looking for a chief operating officer for many -- a couple of years, and his name was mentioned to me by some guy who writes a newsletter, Aviation Newsletter, out in Oregon, and I forget his name. So I called him up to interview him.

Q For whom was he working at the time?

A Evergreen.

Q What do you know about Evergreen?

A Evergreen is a supplemental air carrier, like Southern Air Transport. I have known them for a number of years. They do basically the same type of work we do, it is a successful company.

Q Do you know whether or not they have ever done any work for the CIA or whether the CIA ever had any financial [redacted]

A [redacted] know.

Q Now, did you just have the one interview with Mr. Langton before you hired him, or was this an ongoing process?

A I had about three, I think, interviews with him. I met him once at a trade show in Denver, I think, the first time; or, no, I think it was a post office contracting session.

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Then I think I had him come to Miami once, and I interviewed him. Then I interviewed him in Washington, D.C. once when I still had a law office up there.

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Q And when he took the position, was it just on a straight salary basis or was there a percentage of the profit involved?

A Straight salary.

Q And has it always been that way?

A No, I give all my management people bonuses now.

Q What are the bonuses based on?

A Generally establish a profit goal for the year and if they make that goal then they get a certain percentage of their salary in addition, and if they fall short they get zero and if they overshoot it, they get more. And that goes down as far as the director level pretty much. We have the president, vice presidents, directors, managers.

Q Does Mr. Langton receive any other income of which you are aware?

A No, he does not receive any other income of which I am aware.

Q Do you know how many times Mr. Langton had met with General Secord?

A I do not.

Q When you met with General Secord and Mr. Dutton, was that the first time that Mr. Langton had met General Secord?

A No.

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Q They knew each other from before?

A Yes. They knew each other from business, from Southern. I don't think he knew him before Southern.

Q But they had personally met before?

A Yes.

Q Do you know where that was?

A I think Mr. Langton had gone to Arlington or to Washington area a couple of times at least to meet with Mr. Secord.

Q Do you know what company Secord was operating out of?

A I do not.

Q How would you describe your relationship with Mr. Langton; is it simply business or are you social friends?

A It's primarily business, but we do socialize together.

Q Does he ever send you memoranda regarding the status of the company or is it all done verbally?

A All verbally.

Q And when Mr. Langton is not at the company, who handles the operations?

A Generally we think of Dave Mulligan as being next in charge. As a matter of fact, I think Langton has put a memo out to that effect.

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Q To you knowledge, has Mr. Langton kept a calendar or appointment book?

A He keeps one similar to me, if he keeps one at all, which is just a daily calendar, trying to keep track of your appointments. He probably does it even less religiously than I do.

Q To your knowledge, has Mr. Langton ever been employed by the Federal Governemnt?

A I think he was in the Coast Guard.

Q Okay. Anything, was that as a young man?

A Yes, out of high school.

Q Any otherFederal employment?

A No, not according to his resume.

[redacted]

[redacted]

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[redacted]

Q Have you had any other contracts with any government agencies other than the Department of Defense?

A From when?

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Q Take from '79.

A I think we have one now with the Department of the Interior.

Q What is that for?

A That is for mapping, it's called the Defense Mapping Agency -- maybe they are in a division of the Department of Defense, and it is for doing mapping. They have got some new magnetic truck they are going to put on and they got a mapping project. It hasn't really gotten off the ground. They are still trying to get their equipment up and working.

Q Any others?

A Other than ad hoc charters I don't think so. We do ad hoc charters from time to time but no ongoing contracts. We fly for the State Department to Havana once a month. We were doing that for a couple, three years resupplying the mission down there. We have flown for AID, the agency for International Development in Africa from time to time.

Q Your flights to Angola, are those for the government or are they --

A They are for the diamond mines. Actually they are for a company called International Air Service which is a Gurnsey Corporation and that company has a contract with the diamond mines.

So they pay us and they deal with the diamond min~~d~~Es, which I understand are owned by the Angolan Government.

Q What do you fly there?

A The Hercules L-100.

Q But what is in them?

A Oh, just supplies, I think, for logistics to keep the diamond mines running, food and tools and parts. That is an internal operation. That goes within the country.

[redacted]

Q Since that meeting with Mr. Secord and Mr. Dutton at the hotel, have you spoken to either of those gentlemen since that time?

A No.

Q To your knowledge has Mr. LaNgton?

A I suspect he has. I don't know though.

Q Why do you suspect he has?

A I guess we have ongoing business, they owe us money, maybe. I just assume he has.

Q Have you heard from anyone associated with the White House, either the White House proper or the National Security Council since all of this hit the papers?

A No.

Q To your knowledge, has anyone in your company?

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A I don't think so, nobody has reported to me that they have.

Q Have you heard from anybody in the CIA since this all hit the papers?

A No.

Q Have you received any instructions other than from your attorneys from anyone connected with the Federal Government on how to approach this investigation or what to say or what to produce?

A No.

MS. NAUGHTON: I think those are the questions I have. I am going to turn it over to the loyal opposition here for a couple of questions.

CROSS EXAMINATION

BY MR. VAN CLEVE:

Q For the record, I am George van Cleve, the Deputy Republican Counsel for the Select Committee.

Mr. Bastian, I was down in Miami a week or ten days ago at your headquarters. I will pass on the characterization of being part of the loyal opposition for the time being.

I have really just a couple of brief questions to make sure that I understand some of what has been said here today.

Let me start by saying that your company has prepared, I think through the attorneys, a number of documents

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which have been furnished to us and we appareciate that.

8 I am referring to a chronology which is entitled Southern Air Transport Development in the Iran-Nicaragua Affair, and to a series of memos addressed to Charles Tiefer, Esquire. Again, we appreciate those.

There is an entry on the chronology on page 1, it says, August 1, 1979, James H. Bastian acquired all stock in SAT [redacted]

[redacted]

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[redacted]

Q You testified previously today that you received a phone call from Mr. Gadd probably in or around January 1986 with respect to the Iran matter.

A Yes.

Q He called you at home, as I understand it?

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A Yes.

Q And you had been told to expect a phone call?

A Yes.

Q Did he call you on an open phone line?

A Yes.

Q An unsecured phone line to your knowledge?

A Yes.

Q If I understood your testimony correctly you said that he told you that they wanted to fly material to Iran and then material back out; is that correct?

A Yes.

Q Was he any more specific than that?

A Not that I remember.

Q That is a very unusual request, isn't it, at the time?

A Yes.

Q But he was not any more specific with you about what was required or what they were looking to do?

A Not that I remember, no.

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CAS-1

Q. Would you be willing to set up an offshore Panamanian company for any of your company's clients on request?

A Probably not. We would have to know them better than just anybody.

Q Under what circumstances would you be willing to set up a company like that for a client?

A I guess under the circumstances under which we did it, for somebody like Mr. Gadd, whom we thought was helping a government cause. I don't want that to mean that I thought that it was the government operating. I didn't. I thought it was something that the government wanted done.

Q I would like to take you in some detail now through the prior testimony about the circumstances surrounding the administrative subpoena that you received from the Customs Service and what I am going to do is go through step by step what I understood your testimony to be. If at any point I appear to be not describing it accurately, please stop me or if you don't understand what I am asking, stop me there. I want to be sure I understand the whole transaction and your thoughts about whatever was said to you by Mr. Langton or Mr. Mason about it.

As I understand, your company first received the Customs subpoena some time in early October 1986?

A I don't remember when.

Q But it was after the shoot down?

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A Shortly thereafter.

Q That would place it in and around October 1986?

A I don't recall.

Q You don't recall when the shoot down occurred?

A No.

Q If I told you that it was on or about October 6, 1986, would that refresh your recollection?

A I will accept that date if you are telling me that was the date.

Q And you received the Customs subpoena shortly thereafter, then?

A Yes, sir.

Q The original Customs subpoena called for what sort of documents generally?

A I think it asked for all of our documents on all of our employees, all the documents on everything we had ever shipped out of the country. It was a very broad thing. Then they were going to come back two weeks later and I think there were negotiations went on with them and Langton. I kind of threw up my hands.

Q Did Mr. Langton handle the negotiations personally?

A I think so. I don't know if he called counsel immediately or not on that.

Q So he may have handled them personally?

A Probably

Q The general subject was export?

A Yes.

Q Normal jurisdictional Customs problems. And I believe you then testified that after some discussions, company officials assembled some documents which they thought were responsive to whatever had been agreed to with respect to the subpoena and that you then asked to review those documents?

A Yes. What happened was we put the Customs people off and put them off and now we are talking about a month and a half after the subpoena was first served on us. I even had a meeting with the Customs people before I got these documents, maybe say that it was served, then I got involved in it maybe a month later and talked to the Customs people, we still hadn't produced any documents for them, asking them why it was so broad and what were they after and why were they asked for all the employee records, for example, it didn't seem it was in their jurisdiction, employee records.

If they wanted to know if we owned the airplane that was exported, that seemed pertinent. The fact is we didn't, so we didn't have records on the airplane.

So we had that conversation. They said that they would maybe try to sharpen up their subpoena and come back.

Q You talked to them personally?

A Yes.

Q Roughly how long after --

A Probably about a month after the first subpoena was served I talked to them personally. Then I think they issued another subpoena.

Then they got more pressing on it. We were putting them off.

Q If we say that the subpoena was served in early October, I believe you have testified previously that --

A Let me tell you what happened and you put dates around it. I don't remember any dates so you are not going to get any out of me.

Q I believe you have testified to a couple of dates. I would like to go along --

A I disavow the dates already given.

Q You can start that way if you want. It is going to take longer.

A I just told you I don't remember the dates and now you tell me I gave some dates and you are going to hold me to them even though I say I don't know.

Q This is an important set of events, as you are aware. There have been allegations made that on the basis of what apparently occurred here, an effort was made to persuade the FBI to delay or quash an ongoing investigation and I think it is important that the record be clear on your testimony on these events.

'AS-5

A I agree and I had read where the FBI has admitted that it tried to delay.

Q I want to make it as clear as possible what your company's involvement in that set of events may be. With due respect, we are going to sit here as long as it takes to get clear on what your involvement personally in that matter was.

We can do it whatever way you like. I want you to be comfortable, but the record has to be clear. You got an administrative subpoena that asked for a broad category of documents.

The president of your company, according to your testimony, then entered into negotiations with the Customs Department about the subpoena, is that correct?

A I don't remember what he did. I don't know what he did.

Q Did you instruct him to contact the Customs Department and discuss the subpoena with them?

A No. Not to my knowledge.

Mr. VAN CLEVE: Can we go off the record?

(Discussion off the record.)

MR. VAN CLEVE: On the record.

BY MR. VAN CLEVE:

Q I will ask you, if you don't agree with a date or you

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think it might be wrong, please tell me or if you don't remember.

During your earlier testimony, as I understood it, you received an administrative subpoena shortly after the shoot down of the C-123.

A That is correct.

Q And you eventually received a grand jury subpoena?

A That I don't remember.

Q At a certain point prior to an appearance before the grand jury, you were instructed to ignore the grand jury subpoena?

A That is what my counsel told me, as I recall.

Q It may have been your counsel who previously told us today that an appearance was scheduled to occur on or about November 9, 1986.

MR. BECKMAN: December, I thought I said.

MR. VAN CLEVE: I stand corrected on that. That may account for my confusion about the chronology. Please, in narrative fashion in as much detail as you can go through the way in which your company and its senior officials responded to the original Customs subpoena.

THE WITNESS: My recollection is that we received a Customs -- and I think it was probably the first subpoena we received in this whole affair, which was very broad, shortly after the Hasenfus crash. Mr. Langton handled it primarily with Customs and we were trying to respond. We wanted to respond, but at the same time I didn't want to go through our entire company records and they did ask for all the personnel records of everything in the company.

As I recall, in addition, it had handwritten in it like it was an afterthought, and then they delivered more documents. It was very broad and he went back to them and said what we would try to get together for them.

Then a couple of three weeks went on and a return date passed and they called us and said what are you going to do about it and we said we haven't got the documents together but we are working on it.

Finally, they came over maybe for the second time, because I don't think I met with them the first time, that might have been a month after the thing first issued, but it could have been three weeks.

We have to get the time frame in between the time the airplane went down and the last flight of the Iran thing because it all has to fit into those dates, these things that happened.

BY MR. VAN CLEVE:

Q I understand. That was what I understood you to have previously said and I think that the last flight would have occurred shortly before the newspapers disclosed some of the earlier flights.

Correct me if I am wrong about this, but I think around the beginning of November.

A So probably my last meeting with my people would have been maybe a week or a week-and-a-half before that last flight. Because I really didn't get involved in the documents that were going to be produced.

I was hoping that Langton would solve it and give them whatever they needed and they would go on about their way so he was negotiating that with them.

Finally, when I met with them and they came over, and this was before we produced anything, I started asking them why did they want all these things, it didn't seem to me it was pertinent to Customs, particularly people, so they tried to support that. It finally ended up that they would go back and try to further define their requirements and we would produce whatever they wanted particularly relative to the check for the airplane, the one talked about, that we took money and issued our own check for that airplane, which could be an issue of exporting an airplane, I could visualize that and if there were parts that we supplied and bought so all of it, invoices for parts for the contras would seem like a pertinent issue so we were going to get those together and the invoices associated with it.

Then I had no more conversation about it for awhile, and I was hoping it would go away like everybody hopes and the next thing I know Langton comes in and says they were

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ready to give them what they want and what they demanded and they are going to come over. I said let me what you have got. They produced a very little skinny file and said this is all we have got. It had maybe a black check on it and two telexes in there talking about transferring money to us. I said this is a lot of money. I think it was $250,000, but it might have been $150,000, but at least it was two transfers of a major amount of money.

And I said, well, what did you do with this money to our people. They said, well, we used some of it for the flights from Kelly, I think -- I am trying to remember -- to Israel or some of it went for that and some of it was for maintenance services provided the contras.

I said, well, you know, if the Customs people start asking you what you did with the money, then you are going to have to tell them about the Iran thing and I understood that was a very sensitive operation so if you display all this they are going to start asking the questions that this raises.

Q And what was Mr. Langton's reaction when you said that to him?

A He said, yes, I understand what you are saying. I said you better get ahold of somebody and tell them that we are going to release these documents if somebody doesn't get some help on this subpoena.

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We are going to go ahead and respond. We have no choice but to respond to a subpoena. Then I believe he called Secord, I think.

Q But did he say to you, okay, I will make a call or I will call Secord or something along those lines?

A Yes, he was going to call Secord and try to get this put off or something.

Q I assume these things were happening pretty fast, you are a day away from having to turn the documents over, it is a busy company, so I assume you had a meeting in the middle of the day about this?

A Yes.

Q He said I will make a phone call and came back not too much later?

A He made a phone call immediately, but I am not sure Secord was available. He might have been in the Middle East, so we were able to put off the Customs people.

Q I don't want you to get ahead of the story that you were describing. You explained to Langton the problem.

A I thought it was a problem. It wasn't a problem to us but it could have been a problem to Secord.

Q He says I am going to make a call, at some point you learned that he couldn't reach Secord?

A I think so.

Q Did he say I couldn't reach Secord, but I talked to

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someone else?

A I think Secord was in the Middle East and he couldn't get hold of them.

Q Did he say he talked to somebody else or say we are out of luck, we can't reach anybody?

A I think we just didn't turn the papers over to Customs that day and solved the problem probably a little later in this instance.

Q How many later?

A Maybe two or three days.

Q Did there come a time when Bill Langton explained to you what happened?

A No. Just that they would take care of it, I think.

Q Who is "they"?

A Secord would take care of it.

Q In this context, if he said they --

A I don't think he said "they". He was trying to call Secord.

Q I am trying to help you recollect.

A Why I can't explain it, and I don't want to sound evasive, I kind of dropped the issue and moved on to something else, I really didn't care if I turned them over as much as I wanted them to know the repercussions of turning them over. If Secord coudln't get the Customs people to quit pressing on this that we were going to respond.

Q And there came a time a couple of days later when you say you think your problem got solved?

A I do.

Q You are an attorney, you understood your obligations to respond to a subpoena, you would want your company to be in compliance. Did anyone in your company tell you how you complied with the subpoena?

A No. You have to remember the context. This was pushed real hard and then they kind of didn't care. Then they pushed real hard and then they didn't seem to care, Customs. So they weren't that pushy about it themselves.

I knew we were about to turn it over to them tomorrow and it could have been my company people were able to put them off a couple more weeks, too, until they could get ahold of Secord.

Q So you never actually found out from any source how this matter was resolved?

A No, I did not. Maybe Langton called.

Q A couple more questions on this subject. When you discovered that your company apparently was using a common source of funds to make payments to cover money that you were owed for the Iran operations and for the contra operations, other than concern about the disclosure of the Iran operation, did you have any other concern about that?

A No, it just never entered my mind.

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Q You testified previously that you thought that the Iran operation was a government-sponsored operation.

A Yes.

Q You testified previously that you had been told that the funding for the contra operation was private funding?

A Yes.

Q When you say that there might be a common source of funds for the two operations, did it occur to you that that might be inconsistent with what you had previously understood about the sources of funding for either operation?

A No, it should have, but it didn't.

Q So you were concerned about the security issue but not the financing issue?

A No. It didn't enter my mind. It is easy after the fact now when people think there is diversion of funds for you to put that together, but I didn't think about it one way or the other.

Q When you raised the matter with Mr. Langton and Mr. Mason, neither one of them said anything on that subject?

A No. I don't know why, but it didn't [illegible] for me to say is there something funny going on here, if, in fact, there was.

Q If I understood your testimony on this issue correctly, the original inquiry from Customs was prompted as far as you could tell by the shoot down of the C-123?

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A Yes, sir.

Q To your knowledge, did they make any inquiries bout the Iran arms diversion?

A I don't think so. I don't recall any, but I am not up to date on all the subpoenas. We were getting so many subpoenas for awhile that I couldn't keep track of the players, but I don't think we did.

Q What I am trying to establish clearly for the record is that the Customs Department came to you and had a bunch of questions about the contra operation.

They didn't seem to have any ~~operation~~ information at all about the Iran operation at that time?

A That is correct.

Q On the other hand, the company had internal information about that operation?

A Yes.

Q And that was the reason -- that was what prompted your concern?

A Yes. I considered it a very sensitive operation and I knew it wasn't made public at that time.

Q That was the only concern that caused you to raise the matters with Mr. Langton and Mr. Mason?

A Yes.

Q And that is the only matter to your knowledge that they then raised with General Secord or whoever it was

CAS-14

that they actually called?

A Yes.

Q Thank you. No further questions.

EXAMINATION

BY MR. NAUGHTON:

Q I have one other question. Is there anything that you know of that would be pertinent to this investigation that we haven't gone through already?, is there a question that is pertinent that we haven't asked yet that you think would be of interest to the committee?

A I really don't think so. I can't think of anything, no. I have tried to be as forthright -- I recognize I don't have the photographic memory and I really wasn't that much involved in an awful lot of this, but I think you will find that our company, Mr. Mason and Mr. Langton are fully prepared to give everything that we have.

Q I want to make sure that we don't get the information because we haven't asked the right questions.

A I understand.

Q Thank you.

MR. VAN CLEVE: Is there anything you would like to tell the committee based on your experience here, is there anything that the members ought to know that would be helpful to them in the course of an inquiry or just as a general matter?

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A No, I don't think so.

Q Thank you.

(Whereupon, at 3:42 p.m. the deposition was adjourned.)

RPTS STEIN

DCMN DANIELS

DEPOSITION OF NICHOLAS F. BRADY

Thursday, October 1, 1987

House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with
Iran,
Washington, D.C.

The select committee met, pursuant to call, at 10:00 a.m., in Room 2154, Rayburn House Office Building, Richard Leon (Deputy Chief Minority Counsel) presiding.

Present: Richard Leon, Deputy Chief Minority Counsel; and Ken Ballen, Staff Counsel, House Committee.

4036

Declassified/Released on 18 Dec 1987
under provisions of E.O. 12356
BSh by B. Reger, National Security Council

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MR. LEON: On the record.

Let's start off by introducing ourselves. My name is Richard Leon and I am the Deputy Chief Minority Counsel of the House Select Committee on Iran and Nicaragua.

MR. BALLEN: I am Ken Ballen, Counsel to the committee, the House Committee.

MR. LEON: We have with us our deponent, Senator Nicholas Brady.

Whereupon,

NICHOLAS F. BRADY

was called for as a witness and, having been duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SELECT COMMITTEE

BY MR. LEON:

Q Senator, by way of formality and in order to assure that your expenses can be paid, I am handing you a certified subpoena that has been signed by the chairman of the committee. I want to note for the record that the subpoena was in no way necessary, that Senator Brady was more than willing and glad to come down to appear before the committee without the necessity of that.

We appreciate very much your coming here with your busy schedule and we will endeavor to be brief.

As I mentioned to you previously, the focus of our questions are very limited. They focus on a particular event that you were present for, and that was a meeting that the Vice President, George Bush, had with Felix Rodriguez in May of 1986, I believe it was May 1st.

I want to harken back to that particular meeting, which I believe you were present at.

Is it correct, first of all, that you were present

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at a meeting between the Vice President and Felix Rodriguez on May 1st of 1986?

. A That is correct. I believe that is the correct date. I did have a meeting, but I am not positive about the date.

. Q On that particular date to the extent that you can recall, you were visiting with the Vice President yourself, were you not?

. A I was visiting with the Vice President and we were talking about politics.

. Q At that point, were you still a Member of the United States Senate?

. A No, I was not.

. Q What year or years was it that you were in the United States Senate?

. A I was a Member of the United States Senate from April 1982 until December 1982. I resigned in the last part of December 1982.

. Q And since then you have been working in New York City?

. . A I have been working in New York City, but I have also been on a number of Government commissions, the Scowcroft Commission, the Packard Commission, the Kissinger Commission.

. Q Approximately when did you serve on the Kissinger

Commission?

. A I would have to look up the dates, but I think it was 1984. These commissions ran end to end and I never remember when one started and the other ended.

. Q But the Kissinger Commission dealt with the problems in Nicaragua?

. A That is correct.

. Q When you met with the Vice President May 1st, you weren't there to see him with regard to the Kissinger Commission or any other commission, were you?

. A No. We were just talking politics.

. Q On that occasion when Mr. Rodriguez showed up, did you know beforehand that he would be meeting with the Vice President that day?

. A No.

. Q Was it your sense that this meeting between the Vice President and Mr. Rodriguez was something that had been planned beforehand as opposed to impromptu?

. A I had no idea whether it was impromptu or planned, but at the end of my meeting with the Vice President he said, ''Why don't you stick around? I have a meeting with these people and you might be interested in what they have to say.''

. Q Was Mr. Rodriguez brought into the room by Donald Gregg or anybody else?

A As I recall, it was Donald Gregg, Sam Watson and Mr. Rodriguez. I believe that is all that was there.

Q Donald Gregg at that time was National Security Adviser to the Vice President?

A Yes.

Q And you knew him?

A Yes.

Q And Sam Watson was Donald Gregg's deputy?

A That is my understanding.

Q Colonel Watson, I believe it is.

Before they brought him into the room, Senator, can you recall if there was an introduction as to why he was coming or what the purpose of the event was?

A None that I remember.

Q Let me hand you a document dated April 30, 1986 entitled ''Briefing Memorandum for the Vice President,'' encaptioned ''Event Meeting with Felix Rodriguez. Date: Thursday, May 1, 1986. Time: 11:30 to 11:45 a.m., in the West Wing,'' and it is from Donald Gregg.

It states as the purpose of the meeting with the Vice President of Felix Rodriguez, ''Felix Rodriguez, a counterinsurgency expert who is visiting from El Salvador, will provide a briefing on the status of the war in El Salvador and resupply of the contras.''

Let me first ask you if you have ever seen this briefing memorandum or was it shown to you on that particular day?

A It certainly wasn't shown to me on that particular day. I may have seen it in all of the Iran/contra hearings discussions since then, but I never saw it before the meeting with the Vice President and Mr. Rodriguez.

Q Do you have any recollection of the Vice President referring to it himself that day during the meeting or before the meeting?

A No, I am almost positive he didn't. That wouldn't be his normal practice anyway.

Q Do you recall whether either Donald Gregg or Sam Watson or anyone else for that matter before they brought Felix Rodriguez in read from this document or any document to tell the Vice President the purpose for Felix Rodriguez's visit?

A I am sure they didn't.

MR. LEON: I will have that made a part of the record, that document.

[Exhibit No. 1 was marked for identification.]

BY MR. LEON:

Q With regard to the actual discussion that took place once Mr. Rodriguez showed up, first of all, roughly speaking, Senator, how long did the meeting with the Vice President and Felix Rodriguez last?

. A I can't be exactly precise, Mr. Leon, but I would be very surprised if it lasted over 10 minutes. It might have been 15.

. Q During the course of the meeting, did the Vice President discuss with Mr. Rodriguez his counterinsurgency efforts in El Salvador?

. A My memory of the whole meeting is hazy because it was quick and it seems to me the Vice President was being perfunctory in meeting with Mr. Rodriguez. I can't precisely answer that question, because the real event in the meeting that I remember, in fact, the only event I remember is Mr. Rodriguez pulled out some pictures of the jungle and helicopters, as I remember, and people holding rifles and people pointing at the jungle, and that is all I remember.

. Q Were they supposedly photos of his counterinsurgency efforts in El Salvador?

. A That was my understanding, but I didn't pay much attention because I must have seen a hundred of those when I was on the Armed Services Committee in the Senate. It just looked like any jungle. My understanding was that it was El Salvador and the counterinsurgency effort there.

. Q Do you recall whether or not there was any discussion by Mr. Rodriguez with the Vice President relating to either Nicaragua or the resupply efforts of the contras?

A I don't believe there was. My memory is not precise about a meeting so long ago, but I don't think so.

Q Is that the kind of thing that would have stuck out in your mind?

A I think it would have.

Q Particularly having been familiar with these kinds of issues as a member of the Kissinger Commission?

A Exactly.

Q So you have no recollection of that being a subject of discussion?

A None.

Q Do you recall whether or not at the end of the meeting or at any point during the meeting an ambassador and Oliver North stopping by to say hello?

A I think they did. As I remember there was a picture-taking session at the end of the meeting and I do remember the ambassador, I think his name was Corr, and Ollie North coming in for a brief moment, kind of to shake hands.

Q Ambassador Corr from El Salvador?

A Yes. The meeting was very brief and I had the impression that the Vice President was anxious to get back to the subject that he and I were discussing. He was being polite, as he always is, but we hadn't finished our discussion and the Vice President seemed to want to get back to that subject, which was domestic politics.

Q After Mr. Rodriguez left the room, did you have a discussion with the Vice President regarding Mr. Rodriguez's activities in El Salvador?

A No. We returned to our discussion.

Q Has the Vice President at any time after that meeting commented to you about his knowledge of Mr. Rodriguez's involvement in anything other than counterinsurgency in El Salvador?

A I had forgotten I had been present at this meeting until it came up during the Iran/contra hearings and we did talk about it, but the only thing he ever said was that he had no knowledge of the resupply mission and that his memory of this meeting was simply one of being courteous to someone who was working in the counterinsurgency movement in El Salvador.

MR. LEON: Senator, I have no further questions. I will defer to my colleague.

BY MR. BALLEN:

Q Had you, Senator, met Felix Rodriguez prior to this meeting?

A No.

Q And if I could summarize your testimony correctly, your memory is not precise as to the exact events at the meeting, but to the best of your recollection you believe that Rodriguez did not discuss resupply of the contras?

A That is correct.

Q Do you recall whether any words were said to Felix Rodriguez of encouragement that he should stay on helping in El Salvador or in Central America?

A I really don't in any precise manner, but I know the Vice President as he is with all of his guests was grateful for him coming by his office and thanked him for bringing the pictures which we looked at, but aside from normal courtesy, I don't remember anything like that.

Q The meeting was a formality, in other words?

A It was not only a formality. As I mentioned before within the bounds of being courteous, it seemed to me the Vice President wanted to return to the political matters that we were talking about.

Q It was not something that he applied attention to or focused on or discussed in any great depth?

A He applies his attention to all of his visitors, but we had an unfinished subject and it seemed to me he was anxious to get back to that, but was being polite to his guest.

MR. LEON: It was almost as if it were a break in your meeting with the Vice President that this took place?

THE WITNESS: I would say so, although I may have been a little late getting to my meeting with theVice President. I don't remember why we hadn't finished, but I do remember that we took a few minutes after that meeting to finish up the business that we had been discussing.

MR. BALLEN: I have nothing further.

MR. LEON: Let me again finish up. Thank you again. On behalf of the House Select Committee, Senator, thank you very much for making time in your busy schedule to come here and to put this account of the event in question on the record. We appreciate that very much.

THE WITNESS: Thank you. I appreciate your courtesy in arranging the meeting at this time so I could make my other commitments.

MR. LEON: Thank you very much, Senator.

[Whereupon, at 10:17 a.m., the taking of the deposition concluded.]

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DEPOSITION OF LIEUTENANT GENERAL ARTHUR E. BROWN, JR.

Wednesday, June 10, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Deposition of LIEUTENANT GENERAL ARTHUR E. BROWN, JR., called as a witness by counsel for the Select Committee, at the offices of the Senate Committee on Ethics, Room SH-220, Hart Senate Office Building, Washington, D. C., commencing at 10:20 a.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

JOHN SAXON, ESQ.
Associate Counsel

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

JOSEPH SABA, ESQ.
ROGER KREUZER

On behalf of the Department of the Army:

ROBERT J. WINCHESTER, ESQ.
Special Assistant to the Secretary of the Army for Legislative Affairs
COLONEL JOHN WALLACE

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PROCEEDINGS

Whereupon,

LT. GEN. ARTHUR E. BROWN, JR.,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION

BY MR. SAXON:

Q General, if you could state your name for the record, please?

A Arthur E. Brown, Jr.

Q And what is your profession, sir?

A I am an officer in the United States Army.

Q What is your rank?

A Lieutenant General.

Q I understand you are about to be promoted?

A That's correct.

Q And when will you take on your fourth star?

A 24 June.

Q What is your current position?

A I am the Director of the Army Staff, Headquarters, Department of the Army.

Q How long have you been in that position?

A Just about four years.

Q And what were you doing before, your most immediate prior assignment?

A I was the commander of the Army Readiness and Mobilization Region in the southeastern part of the United States, stationed in Atlanta.

Q And what will be your next assignment and when will you assume it?

A I will be the Vice Chief of Staff of the Army effective the 24th of June.

Q All right, sir. What is your current reporting status? To whom do you report?

A I report directly to the Chief of Staff.

Q That is General John Wickham?

A General John Wickham. I also report to the Vice Chief of Staff, General Thurman, the Under Secretary of the Army.

Q Mr. Ambrose?

A Mr. Ambrose, and the Secretary of the Army, Mr. Marsh. My principal superior is the Chief of Staff of the Army.

Q And, General, what are your principal duties as Director of the Army staff?

A Well, I'm responsible, in the name of the Chief, for the coordination of staff activities within the staff. I am also the direct supervisor of the Director of Programs Analysis and Evaluation, Director of

Management, and I have general staff supervision over the remainder of the Army staff.

Q Sir, I met with you on April 23, 1987 for an interview, and when I refer this morning to having met with you previously or you told me previously or whatever I want the record to reflect that that's the session to which I am referring and the interview to which I am referring.

I believe on that day you told me about the creation of something called the [redacted] I think it would be helpful if you would walk us through the creation of that committee, what it did, and the reasons why you found it necessary.

MR. WINCHESTER: May I interject? [redacted]

THE WITNESS: [redacted] If we go back to the summer of 1983 when General Wickham took over as the Chief of Staff, that summer he wrote a directive memorandum to selected members of the staff, to include the Vice Chief and myself, expressing concern that we provide an adequate architecture to ensure [redacted] proper oversight, and in the way of oversight he meant both military and civilian oversight, to include adequate Judge Advocate General and General Counsel concurrence with any action that would go on.

As an outgrowth of that we developed the [redacted] which was designed to provide working level, [redacted]ly at the three-star level -- it's chaired by the [redacted]

The Committee meets periodically on call of the chairman, [redacted]

BY MR. SAXON: (Resuming)

Q [redacted]

A [redacted]

Q I believe you told me General Wickham had an intuitive feeling that we needed better over-watching, is the way you put it.

A That's correct, because he'd been the Vice

Chief of Staff and was elevated in June of 1983 to the Chief of Staff, and that was the beginning.

Q And did you put together an IG team that was the forerunner of the permanent IG team [redacted] [redacted]

A That's correct. Also, along with the [redacted] went an organization that we have called the [redacted] [redacted] but it is a full-time office consisting of about 15 officers and civilians.

Q You're talking about [redacted] now?

A [redacted] that does the day-to-day work in the name of the Chief and the Secretary of processing approvals of actions with regard to all of those [redacted] programs. We also put together an IG inspection team which was to go make a one-time pass through all of our [redacted] programs, and that developed into a permanent team.

It also has a team from the Audit Agency, Army Audit Agency, and there is a criminal investigation element that is available for use by that team, if necessary.

Q General, let me ask you a few questions about [redacted] I believe up until the time at which it was created, and which I also recall was September 1984 --

A That's correct.

Q -- the [redacted] system had been run out of DCS/OPS; is that correct?

A That's correct. It was run out of [redacted] DCS/OPS. That was the central point of contact, and each of the staff sections had a [redacted] member who responded to taskings.

Q Under [redacted] would you say that it now operates on a more adversarial basis with the Agency?

A More adversarial than before, yes.

Q And tell us exactly what the [redacted] system is and how that operates.

A Well, the [redacted] system is a system that has been set up to accept and process requests from agencies outside of Defense for support, assistance, support and assistance, to include provision of material.

Q That could be any agency outside of Defense?

A Yes.

Q But for all practical purposes it's principally the CIA; is that correct?

A That's correct. Now it should not be confused with what we call DOMS, the Director of Military Support, which is also a DCS/OPS organization, which is designed for military support to civil authority, disaster relief and those kinds of things.

Q [redacted] normally operates in a manner consistent with Presidential Findings and the guidance of the Secretary of Defense; is that correct?

A That's correct.

Q And at the time of Project SNOWBALL, the TOWs to Iran, the head of [redacted] was Colonel [redacted] is that correct?

A That's correct.

Q And the head now is Colonel [redacted]

A That's correct.

Q What would you say relations with the Agency are now in terms of how [redacted] is operating in its administration of the [redacted] system?

A In my view the relationships are, I guess I would review them as "proper". [redacted] has been instructed to accept taskings. Before those taskings can be put out to the staff for processing, they have to go through a preliminary legal review, and then the Vice Chief of Staff of the Army [redacted]

[redacted]

In both cases it requires legal review at the Judge Advocate General and the General Counsel.

Q If I understand your testimony, then, even for minor actions, the approval of [redacted] [redacted] Vice Chief of Staff, General Thurman, is required; is that correct?

A That's correct.

Q And is that both of them?

A Yes, sir.

Q Would you say [redacted] and the [redacted] system have worked well?

A I have every level of confidence that they are on track. We have had some criticism about them being slow, but I would say that in those cases where there's a requirement for expeditious action we can move actions very quickly, and do.

Q And in fact there are built-in requirements into the procedures that govern the [redacted] system for expedited action; is that correct?

A That's correct. But none of those procedures allow any short-circuiting. Approval has to be obtained from both senior military and civilian authority.

Q Am I correct in saying that the TOW and HAWK repair part transfers bypassed the [redacted] system?

A That's correct.

Q And are you aware in the four years you've been Director of the Army Staff of any other transfers to the CIA which have bypassed the [redacted] system?

A Not to my knowledge.

Q Sir, if you would, tell us when you first became aware of the TOW missile requirement, what became known as Project SNOWBALL?

A I have to refer, because at the time I refer to notes that I made in my notebook which I keep secured in a special safe. The first notation I have was on the 18th of February, 1986, which was a Tuesday, in which I was informed by the Chief of Staff of program SNOWBALL. I was told that Major Simpson was the action officer.

So it was the 18th of February was the first time.

Q And does your log entry show that the Chief of Staff needed legal advice regarding Congressional notification?

A That's correct. I have an indication that says the Chief of Staff needs legal advice re the requirement to notify Congress.

Q I believe you told me earlier that you then talked to Major Simpson, is that correct, sir?

A That's correct.

MR. KREUZER: Sir, what was this date that you first became aware?

THE WITNESS: The 18th of February, 1986.

BY MR. SAXON: (Resuming)

Q I believe your next entry is February 24; is that correct?

A That's correct.

Q And what does that log entry show?

A That log entry shows the notation SNOWBALL, which is a trigger for my memory on the project, and the notation says: Okay not to notify Congress -- meaning to me that it was not the Army's responsibility to notify Congress but the agency receiving the equipment had that responsibility.

Q All right, sir. Let me stop there a moment and ask a few questions to see if we can find out whether anything else happened in that period. After talking to General Wickham, the Chief of Staff, about project SNOWBALL and talking to Major Simpson was there anyone else in that period of those first few days with whom you spoke about this requirement?

A I'm not sure. I don't believe so. I knew that General Russo, who was the Assistant Chief of Staff for Logistics, was the point of contact in the staff. I may have talked to General Russo about it but my log does not reflect that. But that doesn't mean that I might not have spoken to someone.

Q When your entry said that the Chief needed some legal advice regarding Congressional notification, is that something that you then sought or executed on?

A I'm not sure that I did, but it seems to me that he had indicated to General Russo that requirement.

Q So he wasn't telling you you were responsible for finding that out, but he simply told you that he was in the process of getting it himself?

A That's right, and he would expect me to follow up.

Q And when your entry on the 24th said SNOWBALL was okay or it was okay not to notify Congress but the Agency had responsibility, who gave you that information and that judgment?

A I'm not sure. I'm not sure of that. It may be a reflection of the memorandum that the General Counsel wrote prior to the 24th, I believe.

Q And that would be Susan Crawford?

A Susan Crawford.

Q We'll come to that in a moment. What was your understanding of how this worked in terms of the Army didn't have responsibility but the Agency did?

A Well, it was my understanding that since we were providing equipment that exceeded the threshold, the dollar threshold, to another government agency for use in accordance with a Presidential Finding or other legal reason that it would be that agency's responsibility to keep the Congress informed.

And let me make a statement about that for a second, if I might. One of the things that came about in the 1983-84 time frame was the idea within the Staff -- and it was directed by the Secretary, by Secretary Marsh and by General Wickham -- an intense sensitivity to Congressional notification. That was the concern that resulted over Project YELLOW FRUIT and other related activities.

The Secretary made us very concerned that we met the requirements of Congressional notification and in fact Colonel [redacted] and the General Counsel and Bob Winchester and I made special trips over to all of the Committee staffers to bring them up to date on what we were doing in [redacted] oversight. So the notion that the Chief was concerned about Congressional notification was not an unusual concern to me.

Q Were the problems with ISA part of that in terms of Congressional sensitivity about covert operations?

A I think yes, because ISA had gone through a

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thorough review in '82-'83, I believe, and that had been wound up in the spring of '83, as I recall. And that whole review action increased the sensitivity and certainly as General Wickham's leadership took over we were very sensitive to that.

Q I believe, sir, I'm correct, am I not, that Secretary Marsh had been a member of Congress himself.

A That's right.

Q So he was particularly sensitive to the Congressional notification issue?

A That's right.

Q Now what do your records show was your next entry on Project SNOWBALL?

A On the 25th of February I have a note that says: Russo, and then an arrow, memo that quotes statute. And that is that the Chief had issued instructions, and I'm quite sure it was the Chief, General Wickham, would instructions for a memo to be prepared on Congressional notification and the requirement for Congressional notification, that memo to be sent to General Powell. The Chief wanted it in writing.

Q And as far as you know was such a memorandum prepared?

A That's correct.

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Q And who prepared it?

A I believe Colonel [redacted] prepared that memo for my signature. It was signed on March 7 to General Powell, and it referred to the requirement to notify Congress.

Q General, I'd like for you to look at what we will have marked as Brown Deposition Exhibit 1, and I ask you to look at what is the last page of this exhibit. It bears the number at the top of N-9900, which means for the Senate Select Committee's files it is a National Security Council document supplied by them.

I think we should point out for the record the reason for that is that like a good soldier you were told this was a close hold, no notes operation, and when you prepared this memorandum you did not make a copy; is that correct, sir?

A That's correct.

Q So the copy that we have in our files came from the NSC records.

(The document referred to was marked Brown Exhibit Number 1 for identification.)

Now I ask you to look at this document bearing a date of 7 March 1985, memorandum for the Military Assistant to the Secretary of Defense. That would be

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General Colin Powell; is that correct, sir?

A That's correct. The date is 7 March 1986.

Q I'm sorry. 1986; you are right. And this bears your name, Arthur E. Brown, Jr., at the bottom and your signature. Is that correct, sir?

A That's correct. That is my signature.

Q And this is the memorandum to which you made reference?

A That is correct.

Q If you would look at your memorandum, you indicate in paragraph two that this request for support, meaning the request by the CIA that 1,000 TOW missiles be provided them with a contingency for 3,509 more, circumvent the normal [redacted] system for reasons of security. Is that an accurate statement, to the best of your knowledge?

A To the best of my knowledge it's an accurate statement.

Q And you indicated that support exceeded the $1 million threshold established in the FY 1986 intelligence authorization bill for reporting to Congress as a significant intelligence activity; is that correct, sir?

A Yes, sir.

Q So when you stated a few minutes ago that the understanding at DA was that this transfer would exceed the dollar threshold, this is the threshold to which you had reference?

A Yes, sir.

Q And the statute to which you were making reference?

A Yes, sir.

Q In paragraph three you indicate that the SecDef memorandum, the Secretary of Defense memorandum, of 13 June 1983 dealing with DOD support to CIA special activities establishes the responsibility for notification of Congress of DOD support to the Agency with the Deputy Under Secretary of Defense for Policy; is that correct, sir?

A Yes, sir.

Q But then you indicate that in the case of TOW missiles the Army understanding on responsibilities for notification conforms with the Secretary's June 1983 memorandum; is that correct, sir?

A Yes.

Q And what that means is that when the Department of Army transfers in this case TOW missiles to the CIA the responsibility for notification no longer rests with DA but with the recipient agency, which would be the CIA; is that correct?

A That's correct.

Q And in the final paragraph you indicate that you are writing this memo to assure understanding of the statutory requirement should this issue be raised by one of the Congressional intelligence committees in the future; is that correct, sir?

A That's correct, sir.

Q And we know now that this issue is being raised.

A Well, the important thing is that the Chief of Staff was concerned to make sure that there was a matter for the record that Congressional notification had to be complied with.

MR. KREUZER: Could I ask one question on this point? In paragraph three, sir, was this a unilaterally prepared memorandum to the best of your knowledge by the Secretary of Defense or did he have some sort of agreement with the Agency that this in fact would be a procedure that the Agency would honor?

THE WITNESS: I don't know.

BY MR. SAXON: (Resuming)

Q General, before I go further to the trail of this piece of paper of yours, let me go back up to something you mentioned a few moments ago. You mentioned a memorandum by Mrs. Crawford, the General Counsel of the Army. What can you tell us about that memorandum, sir?

A Well, to the best of my knowledge Mrs. Crawford prepared a memorandum for Secretary Marsh which laid out the legal bounds of Congressional notification, and as I recall that ruling, that memorandum by Ms. Crawford indicated that in this case the Army was not responsible for Congressional notification in view of the fact that the material had been transferred to another government agency and therefore the burden of notification rested with that other agency.

Q And I believe I'm correct, am I not, that she also referenced the 1986 Intelligence Authorization Act and the $1 million threshold?

A I believe that's correct.

Q So I'm safe in saying that when you sent your memorandum to General Powell you had the legal authority of the Army General Counsel to back you up on the understanding of how Congressional notification should work in this case; is that correct, sir?

A That's correct.

Q Now when you sent this memorandum to General Powell what happened?

A I have an entry in my notebook dated 12 March 1986 which indicated to me that I had received a phone call from Colin Powell with a note that said: Letter on SNOWBALL from Colin to Poindexter informing. To me that

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is a trigger that suggested that General Powell had forwarded my letter to General Poindexter informing him of the responsibility for Congressional notification.

Q Now, sir, I would ask that you look at the same deposition exhibit. The page on top of your memorandum is a memorandum from Major General Colin L. Powell to Vice Admiral John Poindexter, the President's National Security Advisor, dated 12 March 1986. Do you see that, sir?

A Yes.

Q And I believe I'm correct, am I not, that you were never provided this memorandum by General Powell, so you did not see this until after these matters became public; is that correct, sir?

A Yes, sir.

Q In that memorandum he indicates that there is "unease of the Army General Counsel's office over the transfer of items with which you are familiar." He does not say what, but we all know and assume this is with regard to the transfer of TOWs to the CIA ultimately destined for Iran. And it goes on to discuss the belief and the understanding that the Army does not have the responsibility for notification but that the CIA does.

And then he indicates that "I make you aware of the Army's concerns in the event you wish to advise

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the DCI or the Attorney General." Am I correct in saying that Admiral Poindexter never notified anyone at the Army that notification was taking place? Is that correct, sir?

A That is correct to the best of my knowledge.

Q And am I also correct in saying that General Powell never notified you or anyone else within the Department of the Army that notification had taken place; is that correct?

A That's correct.

Q And no one at DA received any indication from Director Casey that they were notifying Congress?

A That's correct, to the best of my knowledge.

Q And no one at the Department of the Army ever received any communication from Attorney General Meese that notification either was taking place or for some reason was not required; is that correct, sir?

A That's correct.

Q I ask that you then look at the top page of this Exhibit, which is a handwritten note bearing the initials JP, which we believe to be John Poindexter, to Paul, who we believe to be Commander Paul Thompson, dated 3/12/86, and it says: "Put this with the Finding".

Am I correct in saying that until these matters became public you had never seen this notation from Admiral Poindexter as to the disposition of this memorandum; is that correct, sir?

A That's correct.

Q I believe one entry in your log that we skipped was a notation on March 7 that you had sent a memorandum to -- that that was the date you sent it to General Powell and that Colonel [redacted] had prepared it; is that correct, sir?

A Actually that was not a notation in my notebook to that effect. The memo to Powell re Congress notified, but I did not have a journal entry on that, to the best of my knowledge.

Q All right, sir. Now I believe on March 16, which would be after you had heard from General Powell that this had been passed on, General Russo came to see you to tell you that Secretary Taft -- that's Deputy Secretary of Defense William H. Taft, IV -- had gotten in touch with the Chief of Staff regarding Project SNOWBALL; is that correct, sir?

A That's correct.

Q And what does your entry show for that day?

A My entry shows that Secretary Taft contacted the Chief of Staff. I was told that that happened in the tank, in the JCS meeting room. My notation shows that, refers to TOWs. It says: TOW-II SNOWBALL. I don't understand the notation TOW-II, because we were working with basic TOWs. My notation says: 1,500, all to get, with an uncertainty, which means we're not sure about that number. Also indicates that the Agency wanted 200-plus or minus spare parts for HAWKs, and the 200 referred to line item numbers rather than the specific numbers of parts.

Q All right, sir. Let's leave the HAWKs aside for a moment. It's possible, I guess, that TOW-II SNOWBALL could refer to the fact that this is the requirement for the second shipment of TOWs with regard to SNOWBALL. Is that possible?

A Possibly.

Q We know that the first shipment was 1,000 TOWs and the second shipment wound up being 508 TOWs. So do you believe your number of 1,500 might have had reference to the second shipment combined with the first to make 1,500 all together?

A Could possibly.

Q So if I understand it, then, it was the directive from Secretary Taft that actually put in motion the second shipment?

A I believe that's correct.

Q Or was it that he was simply notifying the Chief that it had been put in place?

A I'm really not sure of that. I think you probably would have to talk to General Russo about that. I don't get enough out of my notes to recollect that.

Q Okay, sir. Secretary Taft also made mention of some spare parts for HAWK missiles.

A That's true.

Q Is that the first you had heard about this requirement?

A Yes, it was.

Q In terms of the HAWK spare parts, I believe you told me previously that General Russo came to see you on April 16; is that correct, sir?

A That's correct.

Q And what did General Russo say at that time?

A Well, he had indicated -- actually he had reflected to me that Mr. Taft had talked to the Chief and had mentioned the TOWs under Project SNOWBALL, and then he went on to say that the CIA wants about 200 line items of spare parts for HAWKs. He reported that there were a total of 234 line items and actually 218 were finally provided, my notes indicate.

Q Did he give you a specific breakdown of the ability of the Army to meet the requirement?

A In general terms, stated that of the 234, 144 lines were all right. My note says: 144, okay, which

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means they were okay to ship or to provide. Thirty-eight had a negative impact, meaning no readiness impact. Three were substitutes, meaning that there were three lines that were provided as substitute items. Therefore, there were 188, I believe, of the 234 that were requested.

Q I believe there were 46 line item numbers remaining that General Russo told you if they were to meet the requirement there would be greater than 50 percent of the stocks available with 11 numbers; is that correct, sir?

A Yes, that's correct. Eleven items, if provided, would represent more than 50 percent of our stock. Fifteen represented 100 percent or more of the parts available.

Q And does that mean there would be total depletion of existing inventories as we knew them to exist at that time if we met the requirement on those items?

A That's correct.

Q And were there any items for which there would be less than 50 percent but still significant depletion?

A Well, let's see. There were 15 that represented 100 percent or more of the parts available. Nine were at zero balance, which we couldn't provide.

The Agency had deleted two lines, and then we had 15 lines that were unidentifiable. And then I have a note that indicates that we were to get an answer by the following Friday on the identification of the unidentifiables.

Q Did you have in your notations any notice of a get well date for some of the items that would be depleted?

A Yes. It seemed to me it was April of '87. Let me just verify that. Yeah, February to April of '87, get well date.

Q Now get well date, is that Army readiness talk suggesting the date it would take to replenish the existing inventories from Army vendors?

A That's correct.

Q And some of those items I assume would be in the pipeline and in the process of being provided, and others would be new procurement?

A That's correct.

Q I believe these data were supplied to you by General Russo orally; is that correct?

A That's correct.

Q Once you were told that, was it your understanding that this was simply a status report or an update or were you to go forward and convey this readiness information to someone else?

A No. At that point that was a status report.

(Pause.)

You had asked about the nature of the Russo report on the 16th of April. That was a routine update, General Russo keeping me advised of the progress of the requirement, and he indicated to me -- I have a note that says there was a problem with CIA on the money to be received. No other point about that. But there was not an alarmist notation about the report. And I accepted it as a routine status report.

Q Did you convey those numbers to General Wickham?

A I do not believe so.

Q And did you render any judgment to General Russo as to whether the requirements should or should not be met in terms of any readiness impact?

A No, I didn't. Normally the requirement for readiness impact goes to the DCS/OPS, the operations officer.

Q As part of the [redacted] process?

A As part of the [redacted] process, and in fact of any provision of equipment from Army stocks that must go through the readiness review with the Director of Operations in any formal recommendations to either the

Chief or the Secretary.

Q And I believe there are people at DCS/OPS through the normal [redacted] process who do nothing but look at the readiness impact of requests; is that correct, sir?

A That's correct.

Q And is it safe to say this tasking did not have the benefit of the normal readiness staffing?

A I'm not sure of that. I'm just not sure of that because of the close-hold nature of this particular action, but, as I recall, General Russo's report to me was not one that would say this is a significant problem for us. And so I didn't view it as that and therefore believed it was important to report it to the Chief.

[redacted]

[redacted]

Q Now you mentioned a moment ago that General Russo told you there was some problem with the CIA on the money to be received. What can you tell us about that, sir?

A Well, the only thing I can tell you is that that's what my notebook reflects, and to the best of my knowledge General Russo indicated that that's a problem that's to be worked. And there was nothing else. If there had been problems subsequent to that concerning that matter, General Russo would have come back to me. And I did not hear from him again on that matter. In fact, that was the last status report I had from General Russo, and therefore was under the impression that the requirements that were levied on us were met.

Q Sir, as we now know with the benefit of the Department of Army IG and the course of these investigations on the Hill and internal examinations by DA, there were lots of fits and starts on this and false starts from the CIA where they'd say get the missiles ready to ship and then they would back off and that would be changed, and there were delays and safety modifications required and a lot of back and forth.

Were you ever made aware of any of those details and those problems?

A No, I was not.

Q Was there a single individual who actually made the decision on the HAWK repair parts to meet the requirement and ship these to the Agency?

A Well, I would assume it would be General Russo. As I understood it, General Wickham had charged General Russo as the staff officer responsible for meeting the requirements that were levied by Defense.

Q You just put this as a requirement levied by Defense. Is it correct to say that normally when a request comes from the Agency it is a request and it comes in laterally to the Department of Army and goes through the [redacted] system?

A That's correct. In fact, it comes in through the [redacted] and then it is forwarded now directly [redacted]

Q And these two requests, SNOWBALL and CROCUS, were viewed as a requirement coming down from on high within the Office of the Secretary of Defense?

A That's correct. It was my understanding that the direction for both the TOW and the HAWK parts, for the TOW missiles and the HAWK parts, came from the Office of the Secretary of Defense.

Q What would be your understanding as to whether the Department of the Army institutionally or any individuals involved, civilian or military leadership, felt there was any discretion in the decision to meet this requirement?

A To the best of my knowledge it was an order, and there was no discretion, and discretion was not in order.

Q You indicated that in the normal process of a request coming from the Agency it would go through [redacted] To your knowledge, was Admiral Crowe, the Chairman of the Joint Chiefs, or the Joint Chiefs collectively ever involved in any decisionmaking on SNOWBALL or CROCUS?

A Not to my knowledge. I just don't know.

Q To your knowledge did they ever look at the provision of TOWs or HAWK repair parts along the lines of readiness impact or strategic impact in the Iran-Iraq war or the issue of whether it would be a jeopardy to U.S. defense for the Iranians to have our weapons systems?

A Not to my knowledge.

Q Now I believe you told me earlier that you had no knowledge of the ultimate destination of these missiles, TOWs, or HAWK repair parts; is that correct?

A That's correct.

Q You did not know that they were going to Iran?

A That's correct.

Q You did not know they were going through Israel?

A That's correct.

Q To your knowledge was anyone within the Department of Army proper aware of their ultimate destination?

A Not to my knowledge.

Q And I say Department of Army proper because General Colin Powell is a green suit Army type, but he was in the office of the Secretary of Defense.

A That's correct. And, as I say, I don't know of anybody that was working in the Department of the Army that was aware of the ultimate destination.

Q I believe you indicated that on October 29, 1986, you had a conversation either with Secretary Marsh or his executive assistant, Brigadier General Carmen Cavezza -- C-a-v-e-z-z-a -- regarding some questions that had arisen with regard to SNOWBALL and CROCUS; is that correct, sir?

A That's correct.

Q And what can you tell us about that conversation?

A Well, there was, as I recollect -- and I can't recall -- I believe it was General Cavezza, I was discussing with him, indicating that there was some concern about the provision of missiles and HAWK spare parts and that it led me to go back through my mind about the actions that we took with regard to those requirements. As a result of that conversation, I placed a secure phone call to General Powell, who by that time was stationed in Frankfort, Germany.

Q He had left the Office of the Secretary of Defense as the military assistant to Secretary Weinberger?

A That's correct, and had assumed command of Fifth Corps, United States Army, Europe, stationed in Frankfort. I called him and asked him if he had recalled receiving a memo, because, as I indicated earlier -- as you indicated earlier -- I did not have a record of the memo that I sent him.

Q And you were calling him about the memorandum which we have made Deposition Exhibit 1?

A That's correct.

Q And let me say for the record, meaning no disrespect to you, sir, but everyone with whom I've spoken at DA or on the Congressional staffs refer to this as the Brown memo, because you wrote it, so you were calling him about the Brown memo; is that correct?

A That's correct. He vaguely remembered but was not sure. He subsequently called me back and indicated that he, to the best of his knowledge, he had forwarded my memo with a cover memo to Admiral Poindexter concerning the policy on how Congress was to be notified, meaning to me that Congress should be notified in that case.

I have an entry in my log to that effect.

Q Did he have in his files a copy of his memo or your memo?

A To the best of my knowledge he did not. I checked with his secretary, his former secretary.

Q Who was still in the Secretary's office?

A Who was still in the Office of the Secretary of Defense, Miss Nancy Hughes. Nancy indicated to me that when General Powell vacated the office he reviewed his files in a different room and she did not have access to them.

Q So as far as she knew there was no record of this?

A That's right, and she did not recall that memo.

Q Was that your last conversation with General Powell on the issue of the Brown memo?

A That was my last conversation with him.

Q And was that your last conversation with him on the issue of SNOWBALL or CROCUS generally?

A Yes, it was.

Q Now you wrote him initially, General Powell, on March 7 and then on March 12 I believe you told us he called you back to say that the letter had gone forward to Admiral Poindexter. From that point, if that's correct, that he called you on March 12, until the time you called him on October 29, when he was at that point in Germany, were there any discussions you had with General Powell on the issue of TOWs to Iran or HAWK spare parts to Iran?

A No. Well, to the best of my knowledge, I didn't deal directly with General Powell except with regard to that memorandum and the telephone call that followed that.

Q As far as you know, did anyone in the office of the Secretary of Defense or the NSC or anywhere else within the Executive Branch of the government ever get back to you personally or anyone at DA and say the issue of Congressional notification was being worked, being executed, being carried forth, et cetera?

A No one got back to me and, to the best of my knowledge, no one else in the Department of the Army was notified.

Q Did anyone within DA, yourself included, ever raise the question of maybe we ought to go back and check and see if this was done?

A No.

Q Do you have a sense of whether that's understandable or appropriate or whether somebody should have raised the issue, or was it your understanding that General Powell made clear it was being taken care of?

A Well, in retrospect, as I indicated, General Powell never came back, never fed back that that notification had been made or that he had forwarded that memo on. On the other hand, we had made it a matter of record of the requirement for Congressional notification and believed that we were in compliance with the law.

Q At any point in your discussions on these issues did the issue or existence of a Presidential Finding come up pursuant to which the TOWs and HAWKs would have gone forward?

A No.

Q Was there any speculation within DA about where these missiles were going?

A No speculation that came to my attention. In my own mind I thought perhaps they were going [redacted] I was not aware of any weapons systems of this nature having been provided [redacted] but I wasn't sure. But Iran was the least of my expectations.

Q I was going to ask you about that. When I met with you before you said Iran was the last place I would have thought they would go.

A That's right. That's a very accurate statement.

Q Would you elaborate on that, sir, and tell us why you would have been surprised that they went to Iran, and particularly what your understanding was at the time in terms of our selling arms to Iran directly or indirectly?

A Well, I just reflect back to the 1979-80 period, when United States citizens were taken hostage. Our relationships with the Iranians were cool at best since that time, We have maintained a neutral stance in the Iranian-Iraq war. But certainly we have not in any way expressed any overt and, to my knowledge, any covert support on the Iranian side.

And I will say that there is a great deal of animosity on the part of many members of the officer corps with regard to the Iranians, with regard to the current Iranian administration.

Q Was there in fact an embargo in place on shipment of arms to Iran?

A That's correct.

Q And was there not in fact an operation being headed up by the State Department called Operation

Staunch in which we were pressuring our allies not to ship arms to Iran?

A I'm not familiar with the particular name of operations, but I was aware of the fact that there was an effort on the part of the United States Government to preclude allies from engaging in purchases or sales of arms and also I was aware that arms sales that had been negotiated before the revolution, those deliveries were on hold.

Q That would be through normal FMS foreign military sales?

A That's correct.

Q And is it fair to say that our policy of neutrality in the Iran-Iraq war would have been fairly well understood not only within the Department of the Army but the Department of Defense, the NSC, State Department?

A To the best of my knowledge it was clear amongst the leadership of the Army.

Q General Brown, did you ever have any person involvement in any of what we now know were fairly complicated and confusing pricing questions on the TOW missiles?

A No. In all FMS cases and in cases of provision of arms and equipment to agencies outside the

Department of the Army those pricing -- the pricing is developed in the Army Materiel Command, and normally that doesn't come to the attention of leadership unless there is something that is extraordinary, and in my four years that had never been the case.

Q So I take it, then, General Russo never said to you that there were any problems or complications with regard to pricing the TOW missiles?

A That's correct.

Q Are you familiar with something called the AMDF?

A Yes.

Q And that stands for the Army Master Data File?

A That's correct.

Q And what can you tell us, sir, about the AMDF? What is it and how is it used?

A Well, to the best of my knowledge the AMDF is used as a pricing guide and that determines the price that we pay for items of equipment and, therefore, that provides the basis for the amount of money that would be transferred in the event those items of equipment are transferred out of the Department.

Q And is it safe to say that in sort of layman's terms it's a catalog for material and equipment so one could go to it and look up a particular item and see what the stock number was, price, et cetera?

A That's correct.

Q And as far as you know it's fairly widely used throughout the Department of the Army?

A That's correct.

MR. SAXON: Let's go off a second.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q General, were you ever aware that there was any pressure on General Russo or anyone else within the Department of the Army to come up with a low price on the TOW missiles?

A I was not aware of that, no.

Q Are you familiar with the Economy Act?

A Basically.

Q And I believe that is the Act that is used when one agency of the government transfers something to another agency of the government; is that correct?

A That's correct.

Q And the Economy Act would normally govern a transfer from the Department of the Army to the CIA?

A Yes, that's true.

Q And to your knowledge was the Economy Act used in this instance for TOWs and HAWK repair parts?

A To the best of my knowledge.

Q Do you have any knowledge about whether the Economy Act permits the transferring agency to charge replacement cost, or have you ever had reason to get involved in the pricing question?

A I have not been involved in the pricing question. To the best of my knowledge we have been charging, that the basis of charge is the acquisition cost rather than replacement cost.

Q All right, sir. Throughout all of SNOWBALL and CROCUS and any involvement you had, were you told at any point or was it repeated at various points that this was a sensitive operation, close hold, no notes and so forth?

A Extremely close hold. A question about whether there was specific guidance about no notes or not, because I have notes about it in general terms, and if there was a specific direction on no notes, then I would not have had any notes at all. But fundamentally it was well understood to be an extraordinarily close hold operation, and there were very, very few people that were aware of its existence.

Q I believe you told us earlier, General, that as far as you know there have been no transfers to the CIA other than SNOWBALL and CROCUS from the Army which bypassed the [redacted] system.

A That's to the best of my knowledge. That's right.

Q Would that include the fact that there have been some very sensitive transfers from DA to the CIA that have gone through the [redacted] system?

A That is correct.

Q And on matters that were particularly sensitive in terms of the security consideration?

A Yes.

Q Were you aware of any existing ceiling during 1986 that the Congress had imposed on the number of TOW missiles that could be purchased during that year?

A No.

Q And I would assume, then, that that issue never came up in any of these discussions?

A That's correct. That issue did not come up, to my knowledge.

(A discussion was held off the record.)

THE WITNESS: I wasn't sure. I thought you were referring to some specific language that limited our purchase, our acquisition of TOWs. If you are referring to the authorization act or the appropriations act which specify the number of any type of weapons system that can be purchased by the Department, I am aware of that.

BY MR. SAXON: (Resuming)

Q Would there have been people working on the TOW requirement who would have known what that number was for 1986 and whether they would have been able to replenish existing Army stocks during the calendar year?

A Yes, they would have been aware of that.

Q But as far as you know when this issue was being worked it was never presented to you as a consideration?

A Absolutely not.

Q All right, sir. The Department of the Army had an Inspector General investigation into the pricing of the weapons and the transfer of the HAWKs, et cetera, did they not?

A That's correct.

Q Have you had occasion to review their report?

A I had an opportunity to review that report.

Q As far as you know, was it an accurate and thorough report?

A Yes.

Q General, in the process of conducting that investigation the Army IG was told by at least one Assistant Secretary of Defense -- and that would be Mr. Armitage -- in response to a question of who else in the Department of Defense should be interviewed, Mr. Armitage recommended that Secretary Taft be interviewed because he had had some involvement.

As you yourself indicate, while it may be limited he at least was witting of this mission and he had some involvement in it. The Army Inspector General chose not to interview Secretary Taft. Do you have any knowledge of why that might have been?

A No, I don't.

Q Do you have a judgment from what you know about Secretary Taft's involvement and that you know about IG reports whether he perhaps should have been interviewed?

A I would say that was a judgment call. The purpose of the IG report was to look at the specifics of the pricing and it would be a question in my own mind of any of Secretary Taft's involvement in the pricing. He issued instructions, but to my knowledge the relationship of those instructions to pricing I don't see a connection.

Q Would it be fair to say the connection might come in that a lot of the problems with pricing resulted because the people who normally would have been involved with pricing were not involved because the instructions given from the Secretary of Defense's office through General Powell and Mr. Taft were that this to be a close hold with not many people involved? Would that be a possible connection?

A Possible, though my understanding is that the pricing for TOWs would have been developed in the Army Materiel Command and based on the acquisition prices. It is complex because there were missiles with and without modifications, and then there were different types of missiles that had to be further modified, which complicated the pricing formulas.

But I would not have connected that.

Q All right, sir. We're not trying to point the finger at the IG. We're simply trying to make a judgment of whether they should or shouldn't have interviewed Secretary Taft. In your judgment would it have been at all unusual that they chose not to interview the top folks at the Pentagon?

A It was not unusual to me that they chose not to interview Mr. Taft.

Q Are you aware of the GAO report on the pricing and the transfer issues?

A I am aware of it vaguely but I have not read it.

Q Are you aware that with regard to four discrete pricing questions the GAO report concluded that on all four of them the prices wound up being low and by that the I-TOW price, the assessments that were made on price, came in too low, the price on the basic TOW was too low, the price on the MOIC was too low, and the price that the Army came up with as an estimate for handing, crating and transportation was too low?

A Yeah. I'm aware that there was -- that there were several audits or investigations that determined that the pricing was too low, but I believe that it was determined, at least to my impression that those low prices were based on error and on the complexity of putting modifications on or changing the configuration of the missiles.

Q Sir, is it your judgment that the Army has learned anything in terms of pricing or handling a sensitive request like this from this experience?

A Well, certainly the issue of pricing has come to the forefront and the Under Secretary of the Army is deeply involved in ensuring that pricing techniques are watched closely and done very carefully.

Q Am I also correct in saying that one additional constructive thing that's come from all of this is that the Army General Counsel now sees Presidential Findings and receives them from the National Security Council for review; is that correct, sir?

A I was aware that the Army General Counsel now has access to them. I was not aware that she gets them for review, but was aware that she has access to them. That's correct.

Q I may be incorrect in saying she gets them for review before the fact, but at least she sees them; is that correct, sir?

A To the best of my knowledge.

MR. SAXON: I believe those are all the questions I have on the TOWs and HAWKs and maybe Joe and Roger have something further.

EXAMINATION

BY MR. SABA:

Q General, I just have a few questions by way of follow-up. Returning to the time you first learned about the requirement to provide the Agency with TOWs, who told you that it was to be treated as a close-hold matter?

A To the best of my knowledge, the Chief of Staff.

Q That would be General Wickham at the time?

A Yes, to the best of my knowledge. I understood fully when I was first informed of the project that it was a very close hold project. It seems to me that General Wickham was going out of town. I could look at calendars to verify that. It seems to me that he was going out of town and he mentioned to me about the project, and it was the 18th of February, and he said I need legal advice concerning Congressional notification.

And in the context of that conversation it was clear to me it was a very close hold.

Q Did he indicate that anyone else had told him to treat it as a close-hold matter?

A No, not specifically. I don't recall specifically.

Q Who told you that the fulfillment of the requirement would not go through the [redacted] system?

A Nobody told me that it would or would not. Just by nature, I mean, by the manner in which it was requested it was clear to me it was my understanding that the Chief of Staff had levied the responsibility on General Russo to be the action agent within the logistics community to supervise the action.

Very honestly, it didn't flash to me we should put this into the [redacted] system or not put it in. It just didn't occur to me. I got a set of instructions from the Chief of Staff, who received a set of instructions from the Office of the Secretary of Defense to perform this transfer.

Q Were you aware of any requirements in 1985, specifically November or December of 1985, to provide TOWs or HAWKs to either the Agency or possibly to Iran -- first, the Agency?

A No. I was not aware of any previous actions to provide TOWs or HAWK parts to the Agency, although there could have been [redacted] activities, actions that would do that. But I didn't have personal knowledge.

MR. SAXON: What about specific provision of TOWs or HAWK missiles, and this would be complete systems and not parts, to Israel in late 1985?

THE WITNESS: Not to my knowledge. I was not aware. It could have been through a regular FMS case, but those would not necessarily come through our office.

BY MR. SABA: (Resuming)

Q Were you aware of any requirement placed on Noel Koch specifically to obtain information about, first, the availability of HAWKs and, second, the price of TOWs in the period November-December of 1985?

A No. In fact, in this whole operation or up until that time I didn't know Noel Koch was involved in any of that. I know he was Assistant Secretary of Defense for International Security Affairs responsible for special operations and low intensity conflict matters, but I was not aware of his involvement in any actions such as that.

Q Was there any time in which you became aware of Mr. Koch's involvement in determining the price for

TOWs between the United States and Israel or any third party?

A No. I've never done any business or even heard of Noel Koch's name mentioned in conjunction with pricing of TOWs or HAWKs.

Q Do you have any recollection in the discussions of pricing that you might have been involved in of the number $4,500 being indicated as the price for the TOWs to be provided to the Agency?

A No. The number $4,500 in that context doesn't ring a bell with me.

MR. SAXON: Related to that, were you ever told that CIA had a ceiling on the amount of money they could use to purchase the TOWs?

THE WITNESS: No. As I indicated, the only point that was ever made concerning the finances of the operation was the one journal entry that I have in my notebook that said some question about the money from the CIA, and that was reflected by General Russo to me, and I assume from that that was some type of administrative problem that the Agency had with cutting a check.

BY MR. SABA: (Resuming)

Q So is it correct to say that General Russo did not mention to you in detail what that problem on the finances was?

A No, he didn't at all.

MR. SAXON: He never mentioned that the Agency was having to go back to the White House or the NSC for funding?

THE WITNESS: Not to me, no. You know, as I indicated, no, there was no discussion of funding at all other than that one point, that he said there's some problem with the CIA.

MR. SABA: I have nothing further.

MR. KREUZER: I have some. Are you guys through, more or less? I'd like to go off the record.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q General, let me ask you if you have any recent or new information you can provide the two Committees with regard to what we all know now as YELLOW FRUIT or [redacted] of which it became a part. Is there any new or additional information about whether there is a secret Swiss bank account that either the Department of the Army is involved with or any current or former DA employee is a signatory on?

A Well, we did have a report that Mr. Golden, who was a former member of a covert operation called YELLOW FRUIT --

Q That would be William T. Golden?

A Yes, that he had recalled having signed a signature card for a Swiss bank account. We sent Mr. Golden to Geneva to try to find out more details of that account, but to the best of my knowledge he was denied any information by the Swiss banking officials, for reasons that I'm not specifically familiar with.

Q So your testimony today would be to the best of your knowledge the existence of such an account has yet to be confirmed?

A That's correct. I believe, because Golden indicated that he had signed a number of signature cards, and my suspicion is that there was a signature card that dealt with a Swiss bank account, but we've not been able to uncover any details of it.

Q In your judgment is there anything which connects YELLOW FRUIT either specifically or using that rubric for any of the related operations, that connects it to the Iran-contra affair as we know it?

A We've been chasing that and have been unable to get any connection. Some of the same names crop up, but we have not found any direct connectivity between YELLOW FRUIT or any other covert Army activity and the Iran-contra affair.

[redacted]

[redacted]

Q [redacted]

Q I believe you told me previously that there was an officer -- I believe the name you gave me was Schneider -- who spent a year doing a thorough review of YELLOW FRUIT. Is that correct, sir?

A That's correct. Colonel Schneider worked for me directly as military supervisor, although he was working under the auspices of Mr. Ted Greenberg from the Department of Justice. Colonel Schneider's job was to review all of the records and inventory and catalog all of the materiel in operation YELLOW FRUIT. It took him the better part of a year to do that.

Q And it's safe to say that he never surfaced the existence of any offshore bank accounts; is that correct?

A That's correct.

Q To your knowledge what is the total amount of money in YELLOW FRUIT that as to this day is yet unaccounted for?

A I don't know. [redacted]

[redacted]

Q Is it safe to say --

A [redacted]

Q [redacted]

A Absolutely. [redacted]

Q Do you think it's possible that any individuals who were involved in the Iran-contra affairs looked at YELLOW FRUIT or SEA SPRAY and saw demonstrated a capability there of being sort of out of the system with money that's less accountable and procedures and requirements and red tape that was not such an imposition as it might be for normal channels and learned a lesson there that may have given to rise to what we've come to investigate?

A Repeat the early part of your question, John. I missed it.

Q From what we understand to have taken place, say with SEA SPRAY and the purchase of [redacted] I believe, outside of the normal Congressional appropriations process, the ability to rapidly do things to deploy, to move money quickly, et cetera, the question arises whether any individuals may have taken note of that and seen the wisdom or the desirability of creating a sort of outside the system network which we know Colonel North and General Secord and others to have created?

A Well, I'm not sure about that. It seems to me that you do see the same names cropping up, but I haven't drawn from that, and I've been unable to run down -- and we're continuing to spend a lot of effort trying to run any connectivity between Colonel North's operation and those covert operations that we have in place or had in place, but we have not been able to find any connectivity.

I think, you know, the capability was there before 1984, but once the [redacted] was put into operation I'm pretty sure that there was not any opportunity to take advantage.

Q In terms of the Department of the Army?

A In terms of the Department of the Army, that's right.

MR. SAXON: That's all I have on that particular point.

MR. KREUZER: I was going to ask the broader question. We may want to go off the record on this.

MR. SAXON: Let's go off.

(A discussion was held off the record.)

BY MR. SAXON: (Resuming)

Q General, let me ask you a question that is out of the context of the Iran side of the Iran-contra affairs, that being TOWs and HAWK repair parts, and go to the contra side. There are a number of Army personnel, enlisted and officers in Central America in the various Mil Groups, and in some cases in the Embassies directly.

To your knowledge, has there been any formal Army investigation of the involvement of these individuals as to whether they have improperly assisted the contras during any of their activities?

A Not to my knowledge.

Q If there's been no investigation, let me ask you this. Are you aware of any involvement by any of those individuals which we would deem improper?

A Not to my knowledge.

Q The next question deals with security assistance. While there is an agency within the Pentagon that deals with that, particularly the Defense Security Assistance Agency, there are some of the same individuals in Army uniforms in Central America who have involvement with security assistance programs.

To your knowledge have there been any instances in which the United States has made the provision of security assistance contingent on the recipient country aiding the contras?

A Not to my knowledge.

Q And I would ask that whether it be with us holding out security assistance as a carrot to induce said aid or whether on the part of the recipient country it used aid to the contras as leverage to extract security assistance. Your answer would still be the same?

A Not to my knowledge.

MR. SAXON: All right, General Brown, I believe those are all the questions I have. Let me see if my colleagues have anything further.

MR. SABA: No.

MR. KREUZER: No.

MR. SAXON: Let me say on the record then, sir, first of all and for the record, you have appeared here voluntarily. We appreciate your having met with us previously. We appreciate your candor and directness, and we also should say for the record, because you are Director of the Army Staff and the Vice Chief of Staff in waiting that these committees have received nothing, at least speaking for myself we have received nothing but the utmost of cooperation from the Department of the Army, from Colonel Wallace, from Mr. Winchester, and Secretary Marsh on down.

We appreciate that very much.

THE WITNESS: Thank you very much.

(Whereupon, at 11:51 a.m., the taking of the instant deposition ceased.)

____

Signature of the Witness

Subscribed and sworn to before me this __________ day of

______________________________, 1987.

____

Notary Public

My Commission Expires: ______________________________

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CERTIFICATE OF REPORTER

I, Michal A. Schafer, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by ME; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer
NOTARY PUBLIC

My Commission expires: 2/28/90

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DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF
WASHINGTON DC 20310

DACS-ZD

7 MAR 1986

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MEMORANDUM FOR THE MILITARY ASSISTANT TO THE SECRETARY OF DEFENSE

SUBJECT: Congressional Notification of Significant Intelligence Activities (U)

1. (~~TS~~/NOFORN) On 18 January 1986, the Army responded to a verbal tasking from your office to provide 1,000 TOW missiles to the Central Intelligence Agency with a contingency for 3,509 more at a later date. The first 1,000 missiles were delivered on 14 February 1986 to the CIA.

2. (~~TS~~/NOFORN) This request for support circumvented the normal [redacted] System for reasons of security, yet the support exceeded the $1 million threshold established in the FY86 Intelligence Authorization Bill for reporting to Congress as a "significant intelligence activity." Funds in excess of $3.5 million were provided by the CIA to reimburse the Army for the first 1,000 missiles. Billing and payment will occur within 60 days, or when all missiles are delivered, whichever is shorter. The Agency expects to complete the project within 60 days.

3. (~~TS~~/NOFORN) SECDEF memorandum of 13 June 1983, subject: DoD Support [redacted] (S), establishes responsibility for notification of Congress of DoD support to the Agency with the Deputy Under Secretary of Defense for Policy. It also confirms that primary responsibility resides with the Director, Central Intelligence. In the case of the TOW missiles, the Army understanding on responsibilities for notification conforms with your June 1983 memorandum.

4. (~~TS~~/NOFORN) This memo is to assure understanding of statutory requirements should this issue be raised by one of the Congressional intelligence committees in the future.

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by B. Reger, National Security Council

Art
ARTHUR E. BROWN, JR.
Lieutenant General, GS
Director of the Army Staff

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